

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2006**

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

JUNE 30, 2006

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**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

JUNE 30, 2006

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**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

OFFICIALS

Name -----	Title -----	Term Expires -----
Board of Education (Before September 2005 Election)		
Gary Griebel	President	2006
Eunice Schladetzky	President Pro Tem	2005
Ron Kilburg	Board Member	2005
Randy Blake	Board Member	2004
Curt Hammond	Board Member	2006
Board of Education (After September 2005 Election)		
Gary Griebel	President	2006
Eunice Schladetzky	President Pro Tem	2008
Ron Kilburg	Board Member	2008
Randy Blake	Board Member	2007
Curt Hammond	Board Member	2006
School Officials		
Virgil Murray	Superintendent	2006
Penny Medinger	Board Secretary/Treasurer	2006
Ahlers & Cooney, P.C.	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Bellevue 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 Bellevue Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bellevue Community School District at June 30, 2006 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 a report dated September 8, 2006, on our consideration of Bellevue 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 and 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 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 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 Bellevue 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 four years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, 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.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 8, 2006

REQUIRED SUPPLEMENTARY INFORMATION

PART I

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bellevue 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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- General Fund revenues increased from \$5,047,284 in fiscal 2005 to \$5,220,063 in fiscal 2006, for a total increase of \$172,779. Revenues from property tax increased \$86,410, revenues from tuition (open enrollment, special education, preschool) increased \$22,466, other local revenues increased \$10,612; revenues from state sources increased \$107,843; while revenues from federal sources decreased \$54,552.
- General Fund expenditures increased from \$5,060,684 in fiscal 2005 to \$5,283,896 in fiscal 2006, a total increase of \$223,212. Expenditures for salaries increased \$99,651, expenditures for benefits increased \$66,078, while other expenditures (services, supplies, dues, fee, etc.) increased \$57,483.
- The District's General Fund balance decreased from \$1,265,412 in fiscal 2005 to \$1,201,579 in fiscal 2006, a 5 percent decrease from the prior year.
- The District's total tax levy rate increased by \$0.46. The General Fund tax rate increased by \$0.48. The Management levy was decreased by \$0.02.
- The state allocated additional spending authority to the District in FY06 of \$357,839 due to the forced conversion of all districts from "cash" budgeting to "GAAP" budgeting. The Bellevue Community Schools has been budgeting on GAAP since FY04. It should be noted that this was spending authority only, not actual cash. This additional spending authority has increased the District's unspent balance to \$1,615,150.
- The special education program posted a positive balance for 2005-2006 of \$40,398, all of which can be carried over to 2006-2007. In 2004-2005 we had a deficit balance of \$32,985.
- A turnaround in interest rates resulted in the District's total interest income to increase by \$26,000.
- The District agreed to become the fiscal agent for the Community Partnerships for Protecting Children in Clinton and Jackson counties. The net financial advantage (or disadvantage) will be \$0.
- Construction began on the elementary elevator in June 2005 and was ready for use in the fall of 2005. This was financed with the Capital Projects fund for a total cost of \$217,000.
- The High School all-weather track was completed during the summer of 2005. Donations of money, labor, and equipment totaled \$137,000 for the track, while the school contributed \$68,000 from the Capital Projects LOSST levy.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this Section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide both short-term and long-term information about the District's overall financial status.
- The Fund Financial Statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements by providing information about the most significant funds. The governmental funds statements explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending. The proprietary fund statements offer short-term and long-term financial information about the activities the District operates like a business, such as food services. The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the Statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that 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 governmental funds.

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

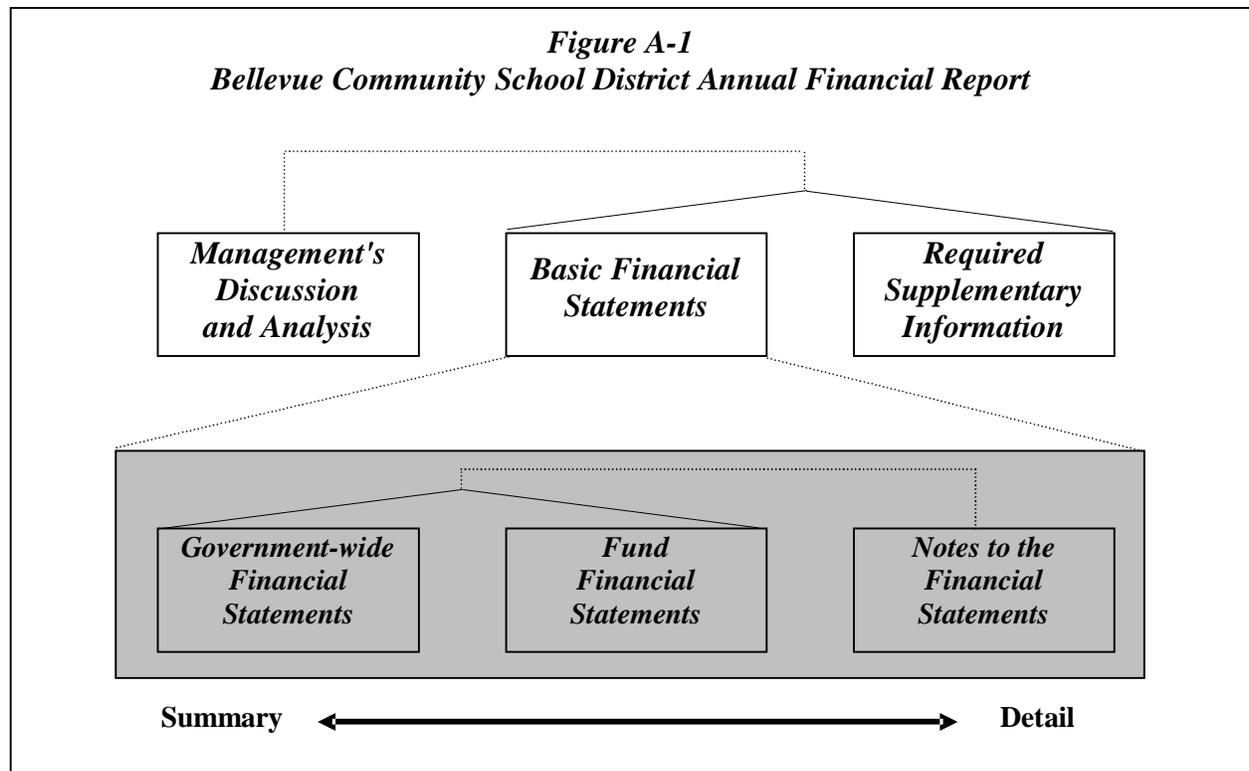


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

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 is included here	Instances in which the district administers resources on behalf of someone else, such as the Big East Conference
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<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 and payable 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

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 nonfinancial 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:

- *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. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

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.

- *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.

Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.

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

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.

Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. The District currently maintains an agency fund for the Big East Conference.

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 of fiduciary net assets and a statement of changes in fiduciary net assets.

Financial Analysis of the District as a Whole

Figure A-3 provides a summary of the District's net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3							
Condensed Statement of Net Assets							
	Governmental Activities June 30,		Business Type Activities June 30,		Total School District June 30,		Total Change June 30, 2005-2006
	2005	2006	2005	2006	2005	2006	
Current and other assets	\$4,580,974	\$4,541,874	\$ 34,027	\$ 43,139	\$4,615,001	\$4,585,013	-0.7%
Capital assets	2,154,384	2,332,327	9,787	8,595	2,164,171	2,340,922	8.2%
Total Assets	\$6,735,358	\$6,874,201	\$ 43,814	\$ 51,734	\$6,779,172	\$6,925,935	2.2%
Long-term liabilities	\$ 560,000	\$ 490,000	\$ -	\$ -	\$ 560,000	\$ 490,000	-12.5%
Other liabilities	2,492,953	2,401,361	16,788	19,195	2,509,741	2,420,556	-3.6%
Total Liabilities	\$3,052,953	\$2,891,361	\$ 16,788	\$ 19,195	\$3,069,741	\$2,910,556	-5.2%
Net Assets:							
Invested in capital assets, net of related debt	\$1,594,384	\$1,842,327	\$ 9,787	\$ 8,595	\$1,604,171	\$1,850,922	15.4%
Restricted	791,105	951,453	-	-	791,105	951,453	20.3%
Unrestricted	1,296,916	1,189,060	17,239	23,944	1,314,155	1,213,004	-7.7%
Total Net Assets	\$3,682,405	\$3,982,840	\$ 27,026	\$ 32,539	\$3,709,431	\$4,015,379	8.2%

The major capital asset additions were a new elementary elevator at \$217,000, a new all-weather track at \$205,000, and new elementary bleachers on the north side of the gym at \$24,700. The rest of the increase was due to normal updating of equipment and buildings (computers, copiers, PA system, lawn tractor).

The District continues to pay down its long-term liability, which is bonds outstanding for the 2002 Middle School Addition, from the Local Option Sales Tax dollars.

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 \$160,000 over the prior year. The increase was due primarily to the increase in fund balance of the PPEL and Capital Project Funds because of projects contracted but not started as of fiscal year end (new elementary roof and south side bleachers, bus barn storage addition, lockers at both schools, and new football/track lighting).

Unrestricted net assets are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District's unrestricted net assets dropped slightly due to a drop in the general fund's unreserved fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006.

	Governmental		Business Type		Total		Percentage Change 2005-06
	Activities		Activities		School District		
	2005	2006	2005	2006	2005	2006	
Revenues:							
Program revenues:							
Charges for services	\$ 406,261	\$ 468,451	\$ 120,981	\$ 126,637	\$ 527,242	\$ 595,088	12.87%
Operating grants, contributions and restricted interest	771,115	724,522	77,199	88,100	848,314	812,622	-4.21%
Capital grants, contributions and restricted interest	65,484	89,491	-	-	65,484	89,491	36.66%
General revenues:							
Property taxes and other taxes	2,160,702	2,314,868	-	-	2,160,702	2,314,868	7.13%
Unrestricted state grants	2,349,928	2,428,257	-	-	2,349,928	2,428,257	3.33%
Other	75,312	97,536	596	1,113	75,908	98,649	29.96%
Total Revenues	\$ 5,828,802	\$ 6,123,125	\$ 198,776	\$ 215,850	\$ 6,027,578	\$ 6,338,975	5.17%
Expenses:							
Governmental activities:							
Instruction	\$ 3,406,748	\$ 3,553,421	\$ -	\$ -	\$ 3,406,748	\$ 3,553,421	4.31%
Support services	1,823,764	1,965,850	-	-	1,823,764	1,965,850	7.79%
Non-instructional programs	3,622	5,731	200,286	210,337	203,908	216,068	5.96%
Other expenses	299,407	297,688	-	-	299,407	297,688	-0.57%
Total Expenses	\$ 5,533,541	\$ 5,822,690	\$ 200,286	\$ 210,337	\$ 5,733,827	\$ 6,033,027	5.22%
Change in Net Assets	\$ 295,261	\$ 300,435	\$ (1,510)	\$ 5,513	\$ 293,751	\$ 305,948	4.15%

As shown in figure A-4, overall net assets increased 4.15% in 2005-2006. Property and other taxes and unrestricted state aid account for 75 percent of the total revenue with a nearly even split between the two in the governmental funds. While charges for services and operating grants accounted for almost 100% of the revenue in the business type activities.

The District's expenses primarily relate to instruction and support services, which account for 91 percent of the total expenses in the governmental funds.

Governmental Activities

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.

	Total Cost		Percentage Change 2005-2006	Net Cost		Percentage Change 2005-2006
	of Services			of Services		
	2005	2006	2005	2006		
Instruction	\$ 3,406,748	\$ 3,553,421	4.31%	\$ 2,558,197	\$ 2,696,739	5.4%
Support services	1,823,764	1,965,850	7.79%	1,634,774	1,821,547	11.4%
Non-instructional programs	3,622	5,731	58.23%	3,622	5,731	58.2%
Other expenses	299,407	297,688	-0.57%	94,088	16,209	-82.8%
Total	\$ 5,533,541	\$ 5,822,690	5.23%	\$ 4,290,681	\$ 4,540,226	5.8%

- The cost financed by users of the District's programs was \$468,451.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$814,013.
- The net cost of governmental activities was financed with \$2,314,868 in various taxes, \$2,428,257 in state foundation aid and \$97,536 in miscellaneous income.
- The net cost of services in other expenses decreased by almost 83% due to the increase in donations in the PPEL and Capital Projects funds for the football field sound system, concession stand roof and HS track.

Business Type Activities

Revenues of the District's business type activities were \$215,850 and expenses were \$210,337. 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.

Financial Analysis of the District's Funds

As previously noted, the Bellevue 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 balances of \$2,090,910, above last year's ending fund balances of \$2,039,572.

Governmental Fund Highlights

- In the District's General Fund, expenditures increased slightly more than the increase in revenues resulting in a \$63,833 or 5% decrease in fund balance. The tax rate between the two years for the general fund increased by \$0.48.
- The Activity Fund balance increased in 2005-2006 by \$10,000 due to increases in the balances of the following groups: Music Boosters (\$3800), Cheerleaders (\$2200), HS Student Council (\$1500), Dance (\$1300), and Athletics (\$1300).
- The Management Fund balance decreased from \$298,590 to \$286,303 as a result of early retirement payments to three employees.
- The PPEL Fund balance increased by \$63,049 to \$105,577 due to the intended purchase of new bus which was not received until August 2006.
- As previously noted, the Capital Projects Fund balance increased by \$55,000 due to several projects anticipated but not started before June 30, 2006.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$27,026 at June 30, 2005 to \$32,539 at June 30, 2006, representing an increase of approximately 20 percent or \$5,513. During the year ended June 30, 2006, the District increased meal prices by 10¢ for all lunches and breakfasts and by 5¢ for milk. Total lunches served during FY06 increased by 2,351 from FY05. Total breakfasts served remained stable. As most of the kitchen equipment is over 30 years old; it is likely the District will need to begin replacing these items in the near future.

Budgetary Highlights

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 its private-purpose trust and agency funds. 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 budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District did not amend its annual operating budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on the following pages.

Legal Budgetary Highlights

The District's total actual revenues were approximately \$97,000 more than the total budgeted revenues, a variance of less than 2%.

Total expenditures were less than budgeted due primarily to the District's practice to budget expenditures at the maximum authorized spending authority for each fund to avoid the time and expense of amending the budget. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year as it did in 2005-2006.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006, the District had invested \$2.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 8.17 percent from last year. Depreciation expense for the year exceeded \$203,000.

The original cost of the District's capital assets was over \$5.8 million. Governmental funds account for over 99% of these assets with less than 1% in the Proprietary, School Nutrition Fund.

Capital assets added to the district's inventory during the year included an elevator, an all-weather track, a new set of bleachers, a lawn tractor, copiers, several computers, and other miscellaneous repair projects.

Figure A-6

	Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total	
	<u>Activities</u>		<u>Activities</u>		<u>School District</u>		<u>Change</u>	
	2005	2006	2005	2006	2005	2006	2005-2006	
Land	\$ 29,200	\$ 29,200	\$ -	\$ -	\$ 29,200	\$ 29,200	0.00%	
Construction in progress	173,884	-	-	-	173,884	-	-100.00%	
Buildings	1,356,465	1,579,954	-	-	1,356,465	1,579,954	16.48%	
Improvements other than buildings	49,440	248,234	-	-	49,440	248,234	402.09%	
Equipment & furniture	545,395	474,939	9,787	8,595	555,182	483,534	-12.91%	
Total	<u>\$2,154,384</u>	<u>\$2,332,327</u>	<u>\$ 9,787</u>	<u>\$ 8,595</u>	<u>\$2,164,171</u>	<u>\$ 2,340,922</u>	<u>8.17%</u>	

Long-Term Debt

At June 30, 2006, the District had \$490,000 in revenue bonds outstanding. This represents a decrease of approximately 12 percent from last year. (See Figure A-7) These bonds were issued to build five classrooms on the Middle School and are being repaid using the Local Option Sales and Service Tax.

Figure A-7

	Outstanding Long-Term Obligations		
	Total District		Total Change
	June 30,		June 30,
	2005	2006	2005-2006
Revenue bonds	<u>\$560,000</u>	<u>\$490,000</u>	<u>-12.5%</u>
Total	<u>\$560,000</u>	<u>\$490,000</u>	<u>-12.5%</u>

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 certified enrollment count taken in September of 2006 was 650.1. This count represents a 6 student decrease from the prior year. This decrease in students will affect next year's funding. Since the 1998-1999 fiscal year (our highest enrollment year in recent history), we have lost a total of 71 students. District funding is highly dependent upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.

- Fiscal 2007 will be the last year of a two-year contract with the Bellevue Education Association, (BEA). The District will negotiate a new agreement with the teachers union during 2006-2007. Salary and benefits represent 82% of general fund expenditures. 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. The district’s unspent balance grew by \$282,000 in FY06 but the unspent balance is defined as unspent spending authority, therefore it does not necessarily represent an actual cash balance. It is crucial to note that unspent balance dollars can only be spent once. Dedicating these resources to ongoing costs, such as salaries, would require some other source of revenue or an expenditure adjustment for any subsequent year.
- The district settled the last 2-year contract with the BEA with an anticipated 10% increase in health insurance. The actual health insurance increase was 0% for FY07.
- Seventeen employees will be eligible for the District’s Early Retirement Plan in 2006-2007. If all 17 employees choose to take advantage of the plan, the Management fund would be liable for \$304,000 in early retirement benefits.
- On July 1, 2007 IPERS will implement an employers’ contribution increase over a 4-year period. The employers’ portion of IPERS will increase from 5.75% to 6.05% on July 1, 2007, to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Bellevue Community Schools’ employer benefit costs from \$10,000 in the first year to over \$40,000 by the fourth year.
- The state requires public schools to bus nonpublic students in their district, but has failed to allocate enough money in the last 5 years to cover the entire cost of nonpublic transportation. Unless legislation increases that nonpublic allotment in the future, the shortages will continue. Over the last 5 years, this district has been shorted \$40,000 in nonpublic transportation reimbursements. The district has no other options to recoup those dollars.
- The District has participated in the instructional support levy since 1997-98. For this levy, schools are allowed to levy for up to an additional 10% of their combined regular program district costs, with the state funding 25% and property tax funding 75% of this levy. When the district began this levy, the state was only funding 55% of their portion. In FY07, the state only funded 27% of their 25% portion. Over the last 10 years, this has resulted in state dollars lost of over \$460,000. Unless the state allocates more dollars to this levy, their portion will continue to decline and the district losses will increase.

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 Penny Medinger, District Secretary/Treasurer and Business Manager, Bellevue Community School District, 1601 State Street, Bellevue, Iowa, 52031-9766.

**BASIC
FINANCIAL
STATEMENTS**

EXHIBIT "A"

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,261,066	\$ 38,940	\$ 2,300,006
Receivables:			
Property tax:			-
Delinquent	35,120	-	35,120
Succeeding year	1,947,327	-	1,947,327
Income surtax	49,054		49,054
Accounts	11,093	16	11,109
Due from other governments	193,870	-	193,870
Prepaid expenses	9,986	-	9,986
Deferred debt expense	3,287	-	3,287
Inventories	31,071	4,183	35,254
Capital assets, net of accumulated depreciation	2,332,327	8,595	2,340,922
 Total Assets	 \$ 6,874,201	 \$ 51,734	 \$ 6,925,935
 Liabilities			
Accounts payable	\$ 1,737	\$ -	\$ 1,737
Salaries and benefits payable	417,932	14,981	432,913
Accrued interest payable	1,505	-	1,505
Due to other governments	9,293	-	9,293
Deferred revenue:			
Succeeding year property tax	1,947,327	-	1,947,327
Other	22,334	4,214	26,548
Long-term liabilities:			
Revenue bonds payable:			
Portion due within one year	75,000	-	75,000
Portion due after one year	415,000	-	415,000
Unamortized bond premium	1,233	-	1,233
 Total Liabilities	 \$ 2,891,361	 \$ 19,195	 \$ 2,910,556

See notes to financial statements.

EXHIBIT "A" (Continued)

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental Activities	Business Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Net Assets			
Invested in capital assets, net of related debt	\$ 1,842,327	\$ 8,595	\$ 1,850,922
Restricted for:			
TAG	62,122	-	62,122
Management levy	286,303	-	286,303
Physical plant and equipment levy	105,577	-	105,577
Other special revenue purposes	88,079	-	88,079
Capital projects	328,040	-	328,040
Debt payment	81,332	-	81,332
Unrestricted	<u>1,189,060</u>	<u>23,944</u>	<u>1,213,004</u>
 Total Net Assets	 <u><u>\$ 3,982,840</u></u>	 <u><u>\$ 32,539</u></u>	 <u><u>\$ 4,015,379</u></u>

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular instruction	\$ 2,197,985	\$ 243,156	\$ 243,839	\$ -	\$ (1,710,990)	\$ -	\$ (1,710,990)
Special instruction	729,358	47,706	149,477	-	(532,175)	-	(532,175)
Other instruction	626,078	166,994	5,510	-	(453,574)	-	(453,574)
Total Instruction	<u>\$ 3,553,421</u>	<u>\$ 457,856</u>	<u>\$ 398,826</u>	<u>\$ -</u>	<u>\$ (2,696,739)</u>	<u>\$ -</u>	<u>\$ (2,696,739)</u>
Support Services:							
Student services	\$ 128,556	\$ -	\$ -	\$ -	\$ (128,556)	\$ -	\$ (128,556)
Instructional staff services	275,927	-	3,972	-	(271,955)	-	(271,955)
Administration services	576,729	-	-	-	(576,729)	-	(576,729)
Operation and maintenance of plant services	533,866	250	-	20,221	(513,395)	-	(513,395)
Transportation services	450,772	10,345	109,515	-	(330,912)	-	(330,912)
Total Support Services	<u>\$ 1,965,850</u>	<u>\$ 10,595</u>	<u>\$ 113,487</u>	<u>\$ 20,221</u>	<u>\$ (1,821,547)</u>	<u>\$ -</u>	<u>\$ (1,821,547)</u>
Non-instructional Programs	<u>\$ 5,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,731)</u>	<u>\$ -</u>	<u>\$ (5,731)</u>

See notes to financial statements.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities: (Continued)							
Other Expenditures:							
Facilities acquisition	\$ 28,047	\$ -	\$ -	\$ 69,270	\$ 41,223	\$ -	\$ 41,223
Long-term debt interest	21,580	-	-	-	(21,580)	-	(21,580)
AEA flowthrough	212,209	-	212,209	-	-	-	-
Depreciation (unallocated)*	35,852	-	-	-	(35,852)	-	(35,852)
Total Other Expenditures	\$ 297,688	\$ -	\$ 212,209	\$ 69,270	\$ (16,209)	\$ -	\$ (16,209)
Total Governmental Activities	\$ 5,822,690	\$ 468,451	\$ 724,522	\$ 89,491	\$ (4,540,226)	\$ -	\$ (4,540,226)
Business Type Activities:							
Non-instructional programs:							
Food service operations	210,337	126,637	88,100	-	-	4,400	4,400
Total	\$ 6,033,027	\$ 595,088	\$ 812,622	\$ 89,491	\$ (4,540,226)	\$ 4,400	\$ (4,535,826)

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

EXHIBIT "B" (Continued)

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
General Revenues							
Property tax levied for:							
General purposes					\$ 1,806,240	\$ -	\$ 1,806,240
Capital outlay					97,148	-	97,148
PPEL support surtax					57,763	-	57,763
Local option sales and services tax					353,717	-	353,717
Unrestricted state grants					2,428,257	-	2,428,257
Unrestricted investment earnings					65,000	1,113	66,113
Other					32,536	-	32,536
Total General Revenues					\$ 4,840,661	\$ 1,113	\$ 4,841,774
Change in Net Assets					\$ 300,435	\$ 5,513	\$ 305,948
Net Assets Beginning of Year					3,682,405	27,026	3,709,431
Net Assets End of Year					\$ 3,982,840	\$ 32,539	\$ 4,015,379

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General	Management	Capital Projects	Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 1,462,303	\$ 283,852	\$ 323,824	\$ 191,087	\$ 2,261,066
Receivables:					
Property tax:					
Delinquent	30,922	2,402	-	1,796	35,120
Succeeding year	1,687,877	109,999	-	149,451	1,947,327
Income surtax	-	-	-	49,054	49,054
Accounts	10,355	-	-	738	11,093
Due from other governments	108,238	49	85,548	35	193,870
Prepaid expenses	9,986	-	-	-	9,986
Inventories	31,071	-	-	-	31,071
Total Assets	\$ 3,340,752	\$ 396,302	\$ 409,372	\$ 392,161	\$ 4,538,587
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,737	\$ -	\$ -	\$ -	\$ 1,737
Salaries and benefits payable	417,932	-	-	-	417,932
Due to other governments	9,293	-	-	-	9,293
Deferred revenue:					
Succeeding year property tax	1,687,877	109,999	-	149,451	1,947,327
Income surtax	-	-	-	49,054	49,054
Other	22,334	-	-	-	22,334
Total Liabilities	\$ 2,139,173	\$ 109,999	\$ -	\$ 198,505	\$ 2,447,677
Fund Balances:					
Reserved for:					
Inventories	\$ 31,071	\$ -	\$ -	\$ -	\$ 31,071
Prepaid expenses	9,986	-	-	-	9,986
TAG	62,122	-	-	-	62,122
Debt payment	-	-	81,332	-	81,332
Unreserved	1,098,400	286,303	328,040	193,656	1,906,399
Total Fund Balances	\$ 1,201,579	\$ 286,303	\$ 409,372	\$ 193,656	\$ 2,090,910
Total Liabilities and Fund Balances	\$ 3,340,752	\$ 396,302	\$ 409,372	\$ 392,161	\$ 4,538,587

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total fund balances of governmental funds	\$ 2,090,910
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets of \$5,813,445 net of accumulated depreciation of (\$3,481,118) are not financial resources and, therefore, are not reported in the funds.	2,332,327
Income surtaxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	49,054
Long-term liabilities of (\$490,000) are not due and payable in the current period and are not reported in the funds. Other related amounts included deferred debt expense of \$3,287, bond interest payable of (\$1,505), and unamortized bond premium of (\$1,233).	<u>(489,451)</u>
Net assets of governmental activities	<u><u>\$ 3,982,840</u></u>

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	General	Management	Capital Projects	Nonmajor Governmental Funds	Total
Revenues					
Local sources:					
Local tax	\$ 1,676,022	\$ 130,218	\$ 353,717	\$ 153,629	\$ 2,313,586
Tuition	252,472	-	-	-	252,472
Other	118,996	13,141	76,994	174,887	384,018
Intermediate sources	819	-	-	-	819
State sources	2,953,178	149	-	113	2,953,440
Federal sources	217,576	47	-	35	217,658
Total Revenues	\$ 5,219,063	\$ 143,555	\$ 430,711	\$ 328,664	\$ 6,121,993
Expenditures					
Current:					
Instruction:					
Regular instruction	\$ 2,149,132	\$ 43,414	\$ -	\$ 3,249	\$ 2,195,795
Special instruction	719,410	-	-	-	719,410
Other instruction	470,652	-	-	153,390	624,042
Total Instruction	\$ 3,339,194	\$ 43,414	\$ -	\$ 156,639	\$ 3,539,247
Support Services:					
Student services	\$ 127,735	\$ 337	\$ -	\$ -	\$ 128,072
Instructional staff services	238,077	327	-	32,712	271,116
Administration services	574,694	33,354	-	5,996	614,044
Operation and maintenance of plant services	424,361	47,458	-	13,849	485,668
Transportation services	366,311	27,486	-	-	393,797
Total Support Services	\$ 1,731,178	\$ 108,962	\$ -	\$ 52,557	\$ 1,892,697
Non-instructional Programs	\$ 1,315	\$ 3,466	\$ -	\$ 950	\$ 5,731
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 284,033	\$ 45,738	\$ 329,771
Long-term debt:					
Principal	-	-	-	70,000	70,000
Interest and fiscal charges	-	-	-	22,000	22,000
AEA flowthrough	212,209	-	-	-	212,209
Total Other Expenditures	\$ 212,209	\$ -	\$ 284,033	\$ 137,738	\$ 633,980

See notes to financial statements.

EXHIBIT "E" (Continued)

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Management</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Expenditures (Continued)					
Total Expenditures	\$ 5,283,896	\$ 155,842	\$ 284,033	\$ 347,884	\$ 6,071,655
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (64,833)	\$ (12,287)	\$ 146,678	\$ (19,220)	\$ -
Other Financing Sources (Uses):					
Operating transfers in	\$ -	\$ -	\$ -	\$ 92,000	\$ 92,000
Operating transfers out	-	-	(92,000)	-	(92,000)
Sale of equipment and materials	1,000	-	-	-	1,000
Total Other Financing Sources (Uses)	\$ 1,000	\$ -	\$ (92,000)	\$ 92,000	\$ 1,000
Net Change in Fund Balances	\$ (63,833)	\$ (12,287)	\$ 54,678	\$ 72,780	\$ 51,338
Fund Balances Beginning of Year	1,265,412	298,590	354,694	120,876	2,039,572
Fund Balances End of Year	<u>\$ 1,201,579</u>	<u>\$ 286,303</u>	<u>\$ 409,372</u>	<u>\$ 193,656</u>	<u>\$ 2,090,910</u>

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net change in fund balances - total governmental funds	\$ 51,338
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$381,708 exceeded depreciation of (\$202,615) in the current period.	179,093
In the statement of activities, only the gain or loss on the sale of capital is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	(1,150)
Because income surtaxes will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.	1,282
Current year long-term debt principal payments reported as expenditures in the governmental fund financial statements are shown as reduction in long-term debt in the government-wide financial statements.	70,000
The governmental fund financial statements reflect bond issuance costs as an expenditure and premiums on debt issuance as a component of other financing sources. The government-wide financial statements present the unamortized amount of bond issuance cost and premium on bond issuances as an asset and liability, respectively, net of amortization. This amount represents the current year amortization of these long-term debt related costs.	(342)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net decrease in accrued interest.	<u>214</u>
Change in net assets of governmental activities	<u><u>\$ 300,435</u></u>

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006**

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 38,940
Accounts receivable	16
Inventories	4,183
Capital assets, net of accumulated depreciation	<u>8,595</u>
 Total Assets	 <u>\$ 51,734</u>
Liabilities	
Salaries and benefits payable	\$ 14,981
Deferred revenue - other	<u>4,214</u>
 Total Liabilities	 <u>\$ 19,195</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 8,595
Unrestricted	<u>23,944</u>
 Total Net Assets	 <u><u>\$ 32,539</u></u>

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006**

	<u>School Nutrition</u>
Operating Revenues	
Local sources:	
Charges for service	<u>\$ 126,637</u>
Operating Expenses	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	\$ 91,953
Benefits	17,073
Purchased services	1,238
Supplies	98,881
Depreciation	<u>1,192</u>
Total Operating Expenses	<u>\$ 210,337</u>
Operating Loss	<u>\$ (83,700)</u>
Non-Operating Revenues	
State sources	\$ 3,142
Federal sources	84,958
Interest income	<u>1,113</u>
Total Non-Operating Revenues	<u>\$ 89,213</u>
Net Income	\$ 5,513
Net Assets Beginning of Year	<u>27,026</u>
Net Assets End of Year	<u><u>\$ 32,539</u></u>

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006**

	School Nutrition
Cash Flows From Operating Activities	
Cash received from sale of lunches and breakfasts	\$ 126,816
Cash paid to employees for services	(106,646)
Cash paid to suppliers for goods and services	(87,200)
Net Cash Used by Operating Activities	\$ (67,030)
Cash Flows From Non-Capital Financing Activities	
State grants received	\$ 3,142
Federal grants received	73,149
Net Cash Provided by Non-Capital Financing Activities	\$ 76,291
Cash Flows From Capital and Related Financing Activities	
None	\$ -
Cash Flows From Investing Activities	
Interest on investments	\$ 1,113
Net Increase in Cash and Cash Equivalents	\$ 10,374
Cash and Cash Equivalents Beginning of Year	28,566
Cash and Cash Equivalents End of Year	\$ 38,940
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (83,700)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	11,809
Depreciation	1,192
Decrease in inventories	1,110
Decrease in accounts receivable	152
Increase in salaries and benefits payable	2,380
Increase in unearned revenues	27
Net Cash Used by Operating Activities	\$ (67,030)

Non-Cash Investing, Capital and Financing Activities

During the year ended June 30, 2006, the District received \$11,809 of federal commodities.

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006**

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 11,161</u>
Liabilities	
Due to other governments	<u>\$ 11,161</u>
Net Assets	
None	<u>\$ -</u>

**BASIC
FINANCIAL
STATEMENTS**

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 - Summary of Significant Accounting Policies:

The Bellevue Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. 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 Bellevue, Iowa, and the predominate agricultural territory in Jackson County. The District is governed by a Board of Education whose members are elected on a nonpartisan 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, Bellevue 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 Bellevue 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 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 Jackson 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.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

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 services.

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

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

The District reports the following major governmental funds:

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

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The Management Fund is utilized to account for property insurance and early retirement expenditures.

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

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This 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 Agency Fund is used to account for assets held by the District as an agent for individuals, private organization and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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 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.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 non-operating 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 non-operating 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 financial statements:

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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 nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statements 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 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, 2004, assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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	All
Buildings	\$ 500
Improvements other than buildings	500
Furniture and Equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

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	5-7 years

Intergovernmental Payables - Intergovernmental payables represents amounts due to other governmental units for various purposes such as supplies, utilities, and Pre-school Special Education.

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

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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 represents 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, the succeeding year property tax receivable, income surtax and other receivables not collected within sixty days after year end.

Deferred revenue in 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.

Compensated Absences - District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently no liability at June 30, 2006 has been accrued.

Long-term Obligations, Deferred Debt Expense, and Bond Discounts/Premiums - In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

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.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 - Summary of Significant Accounting Policies: (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures did not exceed the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Pooled Investments:

The District's deposits in banks at June 30, 2006, 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, 2006, the District had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificate of Deposit	<u>\$ 607,091</u>	<u>\$ 607,091</u>	Various

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the district.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 3 - Interfund Transfers:

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 92,000

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

Note 4 - Capital Assets:

Capital assets activity for the year ended June 30, 2006, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 29,200	\$ -	\$ -	\$ 29,200
Construction in progress	173,884	-	173,884	-
Total capital assets not being depreciated	\$ 203,084	\$ -	\$ 173,884	\$ 29,200
Capital assets being depreciated:				
Buildings	\$ 2,930,943	\$ 283,910	\$ -	\$ 3,214,853
Improvements other than buildings	246,692	209,165	-	455,857
Furniture and equipment	2,121,861	62,517	70,843	2,113,535
Total capital assets being depreciated	\$ 5,299,496	\$ 555,592	\$ 70,843	\$ 5,784,245
Less accumulated depreciation for:				
Buildings	\$ 1,574,478	\$ 60,421	\$ -	\$ 1,634,899
Improvements other than buildings	197,252	10,371	-	207,623
Furniture and equipment	1,576,466	131,823	69,693	1,638,596
Total accumulated depreciation	\$ 3,348,196	\$ 202,615	\$ 69,693	\$ 3,481,118
Total capital assets being depreciated, net	\$ 1,951,300	\$ 352,977	\$ 1,150	\$ 2,303,127
Governmental activities capital assets, net	\$ 2,154,384	\$ 352,977	\$ 175,034	\$ 2,332,327
Business Type Activities:				
Furniture and equipment	\$ 14,304	\$ -	\$ -	\$ 14,304
Less accumulated depreciation	4,517	1,192	-	5,709
Business type activities capital assets, net	\$ 9,787	\$ (1,192)	\$ -	\$ 8,595

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 4 - Capital Assets: (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction	\$ 5,439
Special instruction	9,948
Other instruction	2,036

Support services:

Student support services	484
Instructional staff support services	4,811
Administration services	7,154
Operation and maintenance of plant services	62,047
Transportation services	56,975
Facilities acquisition and construction	17,869
Unallocated	35,852
Total depreciation expense - governmental activities	<u><u>\$ 202,615</u></u>

Business type activities:

Food service operations	<u><u>\$ 1,192</u></u>
-------------------------	------------------------

Note 5 - Long-Term Liabilities:

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Revenue bonds	<u><u>\$ 560,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 70,000</u></u>	<u><u>\$ 490,000</u></u>	<u><u>\$ 75,000</u></u>

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 5 - Long-Term Liabilities: (Continued)

Revenue Bonds Payable

Details of the District's June 30, 2006, local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2007	3.875%	\$ 75,000	\$ 18,988	\$ 93,988
2008	3.875%	75,000	16,081	91,081
2009	3.875%	80,000	13,175	93,175
2010	3.875%	85,000	10,075	95,075
2011	3.875%	85,000	6,781	91,781
2012	3.875%	90,000	3,488	93,488
Total		<u>\$ 490,000</u>	<u>\$ 68,588</u>	<u>\$ 558,588</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 proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

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

- (a) Interest on the Bonds is payable on June 1 and December 1 in each year beginning December 1, 2002, to the registered owners thereof. The Bonds will mature serially on June 1. Bonds maturing after June 1, 2006, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot, at par plus accrued interest to date of call.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 5 - Long-Term Liabilities: (Continued)

- (b) The Bond Resolution establishes a Project Fund (the "Project Fund") into which the net Bond proceeds shall be deposited. Moneys in the Project Fund shall be used for the purpose of aiding in the financing of the Project, and shall also be available for the payment of the principal of or interest on the Bonds at any time that other funds of the Project shall be insufficient for that purpose. Any Project Fund moneys used to pay debt service on the Bonds shall be repaid to the Project Fund at the earliest opportunity.

- (c) The Bond Resolution also establishes the Local Option Sales and Services Tax Revenue Fund (the "Revenue Fund"), into which shall be deposited all local option sales taxes when received from the State. Moneys in the Revenue Fund shall be disbursed to the following funds and accounts in the following order of priority.

- (d) Interest and principal on the Bonds (and any Parity Obligations, as defined below) will be paid from the Sinking Fund (the "Sinking Fund"). The amount to be deposited in the Sinking Fund shall be equal to the amount of principal and interest coming due on the Bonds, and any other obligations payable from the Local Option Tax revenues on a parity with the Bonds ("Parity Obligations") during the fiscal year and shall be used solely for the purpose of paying debt service on the Bonds and any Parity Obligations.

- (e) The Bonds are secured by the Reserve Fund established under the Bond Resolution which Reserve Fund will be funded from proceeds of the Bonds. So long as any Bonds are outstanding, the Issuer is required to maintain an amount on deposit in the Reserve Fund equal to the lesser of (a) the sum of 10% of the proceeds of the Bonds; (b) 125% of the average annual debt service on such Bonds and (c) the maximum annual debt service on such Bonds (the "Reserve Fund Requirement").

The District did comply with all of the provisions during the year ended June 30, 2006. The amounts required for the Sinking Fund and Reserve Fund are accounted for in the Capital Projects Fund.

Early Retirement

The District offers the following early retirement plans to its employees.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 5 - Long-Term Liabilities: (Continued)

Administration - Eligible employees must be at least age fifty-eight and must have completed fifteen years of administrative service or a combination of twenty-five years of teaching and administrative service with at least the final five years of said service in administration. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 40% of the administrator's salary at the time of employment. The District will provide health insurance from age 58 to 65, or until the retiree becomes insured through another plan. Early retirement benefits paid to administrators during the year ended June 30, 2006 totaled \$29,045.

Teachers - Eligible employees must be at least age fifty-five and must have completed twenty years of full time employment, or its equivalence. Employees must complete a written application which is required to be approved by the Board of Education. The early retirement incentive for each eligible teacher is equal to 100% of the difference between their position on the current salary schedule and the base of said schedule. Early retirement benefits paid to teachers during the year ended June 30, 2006 totaled \$33,835.

Noncertified - Eligible employees must be at least age fifty-five and must have completed twenty years of full-time continuous service. Employees must complete an application for early retirement. The early retirement incentive is equal to an amount representing fifty days of pay at the employee's rate of pay at the time of retirement. Early retirement benefits paid to noncertified employees during the year ended June 30, 2006 totaled \$-0-.

At June 30, 2006, the District did not have a liability for early retirement.

Note 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.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 6 - Pension and Retirement Benefits: (Continued)

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005, and 2004. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$188,371, \$182,449, and \$179,142 respectively, equal to the required contributions for each year.

Note 7 - Risk Management:

Bellevue 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.

Note 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 \$212,209 for the year ended June 30, 2006, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9 - Construction Commitment:

In December 2005, the District approved contracts totaling \$42,435 for a new roof at the elementary school. In May 2006, a contract in the amount of \$39,500 was approved for a lighting system on the high school football/track area. In June 2006, the District approved a contract in the amount of \$8,160 for a new roof on the cafeteria. No work had begun on these projects at June 30, 2006.

Note 10 - Contingency:

Medical - The District self funds employee medical claims in excess of \$200 for single coverage and \$400 for family coverage, limited to \$1,000 maximum for single coverage and \$2,000 for family coverage.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 10 - Contingency: (Continued)

Early Retirement - As of June 30, 2006, several District employees met the eligibility criteria for early retirement but did not request it. Therefore, no liability was recorded for those individuals. The District's unrecorded contingent liability for early retirement is approximately \$288,564 as of June 30, 2006.

Note 11 - 28E Agreement:

On July 1, 2001, the District entered into a 28E Agreement with the Camanche Community School District. The Agreement is for the purpose of providing the District with funds for implementing a before and after school program.

Note 12 - Other Matters:

In January 2003, the District entered into an agreement with a soft drink company in which the District agreed to purchase beverages exclusively from this company. In return, the soft drink company provided the District with two outdoor scoreboards. The agreement is for ten years commencing on January 31, 2003, and continues through January 30, 2013. In the event the soft drink company is not the exclusive provider of beverages to the District, the District would be required to reimburse the soft drink company for a percentage of the scoreboards.

**REQUIRED SUPPLEMENTARY
INFORMATION - PART II**

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues						
Local sources	\$ 2,950,076	\$ 127,750	\$ 3,077,826	\$ 2,906,751	\$ 2,906,751	\$ 171,075
Intermediate sources	819	-	819	2,317	2,317	(1,498)
State sources	2,953,440	3,142	2,956,582	3,009,413	3,009,413	(52,831)
Federal sources	217,658	84,958	302,616	322,380	322,380	(19,764)
Total Receipts	<u>\$ 6,121,993</u>	<u>\$ 215,850</u>	<u>\$ 6,337,843</u>	<u>\$ 6,240,861</u>	<u>\$ 6,240,861</u>	<u>\$ 96,982</u>
Expenditures						
Instruction	\$ 3,539,247	\$ -	\$ 3,539,247	\$ 4,728,692	\$ 4,728,692	\$ 1,189,445
Support services	1,892,697	-	1,892,697	2,306,743	2,306,743	414,046
Non-instructional programs	5,731	210,337	216,068	251,010	251,010	34,942
Other expenditures	633,980	-	633,980	980,027	980,027	346,047
Total Expenditures	<u>\$ 6,071,655</u>	<u>\$ 210,337</u>	<u>\$ 6,281,992</u>	<u>\$ 8,266,472</u>	<u>\$ 8,266,472</u>	<u>\$ 1,984,480</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 50,338	\$ 5,513	\$ 55,851	\$ (2,025,611)	\$ (2,025,611)	\$ 2,081,462
Other Financing Sources, Net	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>1,159</u>	<u>1,159</u>	<u>(159)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 51,338	\$ 5,513	\$ 56,851	\$ (2,024,452)	\$ (2,024,452)	\$ 2,081,303
Balances Beginning of Year	<u>2,039,572</u>	<u>27,026</u>	<u>2,066,598</u>	<u>2,140,664</u>	<u>2,140,664</u>	<u>(74,066)</u>
Balances End of Year	<u>\$ 2,090,910</u>	<u>\$ 32,539</u>	<u>\$ 2,123,449</u>	<u>\$ 116,212</u>	<u>\$ 116,212</u>	<u>\$ 2,007,237</u>

See accompanying independent auditor's report.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
- BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006**

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a 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. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund that may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**OTHER
SUPPLEMENTARY
INFORMATION**

SCHEDULE "1"

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Special Revenue Funds			
	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets				
Cash and pooled investments	\$ 88,079	\$ 103,008	\$ -	\$ 191,087
Receivables:				
Property tax:				
Delinquent	-	1,796	-	1,796
Succeeding year	-	149,451	-	149,451
Income surtax	-	49,054	-	49,054
Accounts	-	738	-	738
Due from other governments	-	35	-	35
Total Assets	\$ 88,079	\$ 304,082	\$ -	\$ 392,161
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ -	\$ 149,451	\$ -	\$ 149,451
Income surtax	-	49,054	-	49,054
Total Liabilities	\$ -	\$ 198,505	\$ -	\$ 198,505
Fund Equity:				
Unreserved fund balances	\$ 88,079	\$ 105,577	\$ -	\$ 193,656
Total Liabilities and Fund Equity	\$ 88,079	\$ 304,082	\$ -	\$ 392,161

See accompanying independent auditor's report.

SCHEDULE "2"

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds			Total
	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues				
Local Sources:				
Local tax	\$ -	\$ 153,629	\$ -	\$ 153,629
Other	163,121	11,766	-	174,887
State sources	-	113	-	113
Federal sources	-	35	-	35
Total Revenues	\$ 163,121	\$ 165,543	\$ -	\$ 328,664
Expenditures				
Current:				
Instruction:				
Regular instruction	\$ -	\$ 3,249	\$ -	\$ 3,249
Other instruction	153,390	-	-	153,390
Total Instruction	\$ 153,390	\$ 3,249	\$ -	\$ 156,639
Support Services:				
Instructional staff services	\$ -	\$ 32,712	\$ -	\$ 32,712
Administration services	-	5,996	-	5,996
Operation and maintenance of plant services	-	13,849	-	13,849
Total Support Services	\$ -	\$ 52,557	\$ -	\$ 52,557
Non-instructional Programs	\$ -	\$ 950	\$ -	\$ 950
Other Expenditures:				
Facilities acquisition	\$ -	\$ 45,738	\$ -	\$ 45,738
Long-term debt:				
Principal	-	-	70,000	70,000
Interest and fiscal charges	-	-	22,000	22,000
Total Other Expenditures	\$ -	\$ 45,738	\$ 92,000	\$ 137,738

See accompanying independent auditor's report.

SCHEDULE "2" (Continued)

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds			Total
	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Expenditures (Continued)				
Total Expenditures	\$ 153,390	\$ 102,494	\$ 92,000	\$ 347,884
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 9,731	\$ 63,049	\$ (92,000)	\$ (19,220)
Other Financing Sources (Uses)				
Operating transfers in	\$ -	\$ -	\$ 92,000	\$ 92,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 9,731	\$ 63,049	\$ -	\$ 72,780
Fund Balances Beginning of Year	78,348	42,528	-	120,876
Fund Balances End of Year	\$ 88,079	\$ 105,577	\$ -	\$ 193,656

See accompanying independent auditor's report.

SCHEDULE "3"

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006**

	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Materials for Resale:					
Band	\$ (1,534)	\$ 1,190	\$ 2,148	\$ -	\$ (2,492)
Athletics:					
Junior High/High School	5,649	45,876	44,815	263	6,973
Pep Club	1,763	-	182	35	1,616
School Entertainment:					
Concessions	3,051	1,807	995	74	3,937
High School Student Council	(31)	29,825	28,374	48	1,468
Junior High Student Council	754	5,877	4,970	31	1,692
School Publications - High School	5,398	10,572	10,779	53	5,244
School Publications - Middle School	1,663	377	362	34	1,712
School Clubs:					
FFA - boys	(102)	386	666		(382)
FHA - girls	1,198	-	-	25	1,223
Letterman's	1,182	2,321	2,512	46	1,037
SADD Program	121	-	-	3	124
SADD Program - Middle School	761	258	295	16	740
Speech - High School	(34)	-	-	-	(34)
Cheerleaders	457	8,087	5,907	30	2,667
Elementary	9,455	2,597	2,273	198	9,977
Educational trips - Spanish Club	10,655	-	288	226	10,593
School Music Groups:					
Dues, trips, etc.	2,630	-	-	56	2,686
Vocal music activities	563	-	-	12	575
Color guard activities	27	143	179	-	(9)
Music Boosters	24,502	24,649	21,327	511	28,335
Class of:					
2006	3,368	587	3,955	-	-
2007	1,346	7,751	7,241	74	1,930
2008	932	3,679	2,902	23	1,732
2009	-	187	-	3	190
2010	-	251	-	-	251
Pre-School	354	1,165	606	10	923
Interest	-	1,889	25	(1,864)	-
Dance Team	595	12,816	11,562	17	1,866
Musicals	3,625	831	1,027	76	3,505
Total	\$ 78,348	\$ 163,121	\$ 153,390	\$ -	\$ 88,079

See accompanying independent auditor's report.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2006**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Cash and deposits	\$ 9,692	\$ 16,691	\$ 15,222	\$ 11,161
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
Payable to others	\$ 9,692	\$ 16,691	\$ 15,222	\$ 11,161
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying independent auditor's report.

SCHEDULE "5"

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS**

	Modified Accrual Basis				
	2006	2005	2004	2003	2002
Revenues					
Local Sources:					
Local tax	\$ 2,313,586	\$ 2,159,390	\$ 2,269,904	\$ 1,920,881	\$ 1,647,758
Tuition	252,472	230,006	199,156	207,804	145,934
Other	384,018	316,851	285,445	272,448	334,051
Intermediate Sources	819	2,869	2,422	4,046	713
State Sources	2,953,440	2,845,615	2,657,970	2,826,425	2,799,037
Federal Sources	217,658	272,128	293,914	245,145	292,417
Total	\$ 6,121,993	\$ 5,826,859	\$ 5,708,811	\$ 5,476,749	\$ 5,219,910
Expenditures					
Instruction:					
Regular instruction	\$ 2,195,795	\$ 2,153,251	\$ 2,144,939	\$ 2,074,235	\$ 2,080,749
Special instruction	719,410	581,232	675,876	695,963	638,447
Other instruction	624,042	655,629	542,372	512,655	488,613
Support Services:					
Student services	128,072	121,377	107,197	101,766	93,760
Instructional staff services	271,116	209,344	224,553	200,120	180,180
Administration services	614,044	572,193	528,566	522,703	512,901
Operation and maintenance of plant services	485,668	438,897	408,172	390,310	380,472
Transportation services	393,797	481,302	430,656	373,646	340,290
Central support services	-	-	-	1,077	-
Non-Instructional Programs	5,731	3,622	2,508	2,300	2,036
Other Expenditures:					
Facilities acquisition	329,771	383,790	74,350	266,562	573,886
Long-term debt:					
Principal	70,000	65,000	60,000	50,000	-
Interest and other charges	22,000	24,519	26,844	35,977	-
AEA flowthrough	212,209	205,319	201,473	216,669	218,532
Total	\$ 6,071,655	\$ 5,895,475	\$ 5,427,506	\$ 5,443,983	\$ 5,509,866

See accompanying independent auditor's report.

**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
Bellevue 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 Bellevue Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 8, 2006. 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. Our report included a disclaimer of opinion on the required supplementary information including Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bellevue 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 below, we believe Items I-A-06, I-B-06, and I-C-06 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bellevue 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance 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, 2006, 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 the Bellevue Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 8, 2006

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the board secretary performs substantially all of the significant accounting functions.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. We recommend that the bank statements be delivered directly to the Superintendent for review before being given to the secretary for reconciliation. The District should continue to review its operating procedures to obtain the maximum internal accounting control possible under the circumstances.

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

Conclusion - Response accepted.

I-B-06 Student Activity Deposits – Several receipts in the Student Activity Fund were not deposited timely.

Recommendation – All monies received should be deposited in a timely manner.

Response – We will deposit all monies received in a timely manner.

Conclusion – Response accepted.

I-C-06 Vendors – Vendors which the District has not used for several years are included in the District's list of approved vendors.

Recommendation – The District should review its list of vendors and delete those which are no longer used.

Response – We will investigate this.

Conclusion – Response accepted.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget - Disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.

II-B-06 Questionable Disbursements - Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements consist of payments to nutrition fund vendors for food and other items ordered by employees. The employee then reimburses the District for the cost of the items. The total amount of these items has not been determined.

Recommendation - The District should discontinue this practice as District funds are being used for non-public purposes. In addition, according to the Department of Education, the Bureau of Nutrition Programs and School Transportation does not condone this type of activity. The vendors must bill the employees directly.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-06 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-F-06 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

II-G-06 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-06 Deposits and Investments - The District purchased one certificate of deposit at a rate below the minimum rates set by the State of Iowa.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

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

Recommendation - The District should ensure the interest rate on all certificates of deposit purchased meet or exceed the minimum rates set by the State of Iowa as required by Iowa Code Section 12C.

Response - In the future, we will only purchase certificates of deposit with interest rates at or exceeding the minimum rates.

Conclusion - Response accepted.

II-I-06 Certified Annual Report - The Certified Annual Report was certified to the Department of Education timely.

II-J-06 Student Activity Fund - The Student Activity Fund had four accounts with deficit balances as of June 30, 2006.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate any deficits.

Response - We will continue to monitor these accounts.

Conclusion - Response accepted.

II-K-06 Retention of Electronic Records - Electronically retained check images (both front and back) were not being kept by the District in accordance with Chapter 554D.1114(s) of the Code of Iowa.

Recommendation - The District should contact their financial institution to inquire about availability of electronically retained check images.

Response - We will continue to monitor these accounts.

Conclusion - Response accepted.