ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

Table of Contents

		Page
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	Exhibit	
Government-Wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statemetns:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Net Assets	H	24
Statement of Cash Flows	I	25
Notes to Financial Statements		26-34
Required Supplementary Information:		
Budgetary Comparsion of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and proprietay fund Budget to GAAP Reconciliation		37
Notes to Required Supplementary Informantion - Budgetary Reporting		38
	Schedule	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	42-43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	44
Schedule of Expenditures of Federal Awards	5	45
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		46-47
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance.		48-49
Schedule of Findings and Questioned Costs		50-54

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
Board of Education		
(Before September 2003 Election)		
Thomas J. Baxter	President	2005
Machelle Bulman	Vice President	2004
Dwight Watkins	Board Member	2005
Sheryl Evanson	Board Member	2003
Patty Fosaaen	Board Member	2004
(After September 2003 Election)		
Thomas J. Baxter	President	2005
Machelle Bulman	Vice President	2004
Dwight Watkins	Board Member	2005
Sheryl Evanson	Board Member	2006
Patty Fosaaen	Board Member	2004

School Officials

Omer Troyer	Superintendent
Janice Rea	District Secretary/Treasurer

Independent Auditor's Report

To the Board of Education of
Allamakee 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 Allamakee Community School District, Waukon, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Allamakee Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated October 12, 2004, on our consideration of Allamakee Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allamakee Community School District's basic financial statements. We

previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed an unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

October 12, 2004

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Allamakee Community School District GASB 34 annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole.

Prior year comparison information is provided on a full accrual basis.

Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

* General fund revenues decreased from $10,448,757 in fiscal 2003 to $10,382,325 in fiscal 2004 while General Fund expenditures increased from $10,380,398 in fiscal 2003 to $10,555,988 in fiscal 2004. This resulted in an decrease in the District's General Fund balance from $578,079 in fiscal 2003 to $481,704 in fiscal 2004 a 16.7% decrease from the prior year

* A QZAB Loan of $1,000,000 was applied for and received September 30, 2004. This loan may be used to make building and maintenance repairs to East Elementary, West Elementary and Waterville Elementary. This loan will be repaid with funds received from the voter approved Physical Plant and Equipment Levy over the next 10 years.

* The decrease in General Fund revenues was attributable to a decrease in state aid and misc. income received in fiscal 2004. The increase in expenditures was due to an increase in salaries and health insurance in fiscal 2004.

* During the year ending June 30, 2004, the State of Iowa imposed a 2.25% reduction, which reduced the General Fund revenues by $122,097.

* Since the reduction occurred mid year, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District responded to the reduction by using the District's unreserved, undesignated fund balance.

  This reduction contributed to the District's General Fund balance decrease as previously noted.

* The District began receiving Sales Tax Revenue during September 2002, which is being used for building repair and maintenance.

* On April 8, 2003 voters of the District passed a Physical Plant and Equipment Levy of $1.10 per

  thousand. This levy is being funded with a combination of income surtax and property tax. This is the first voter approved levy in the District since 1964. These funds are being used to make needed building repairs.

Overview of the Financial Statements

This 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 first two statements are *Government-wide financial statements* that provided both short-term and long-term information about the District's overall financial status.

* The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail that the Government-wide statements.

* The *governmental funds statements* explain how basic services such as a regular and special education were finances in the short term as well as what remains for future spending.

* *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

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.

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

Figure A-1

Allamakee Community School District Annual Financial Report

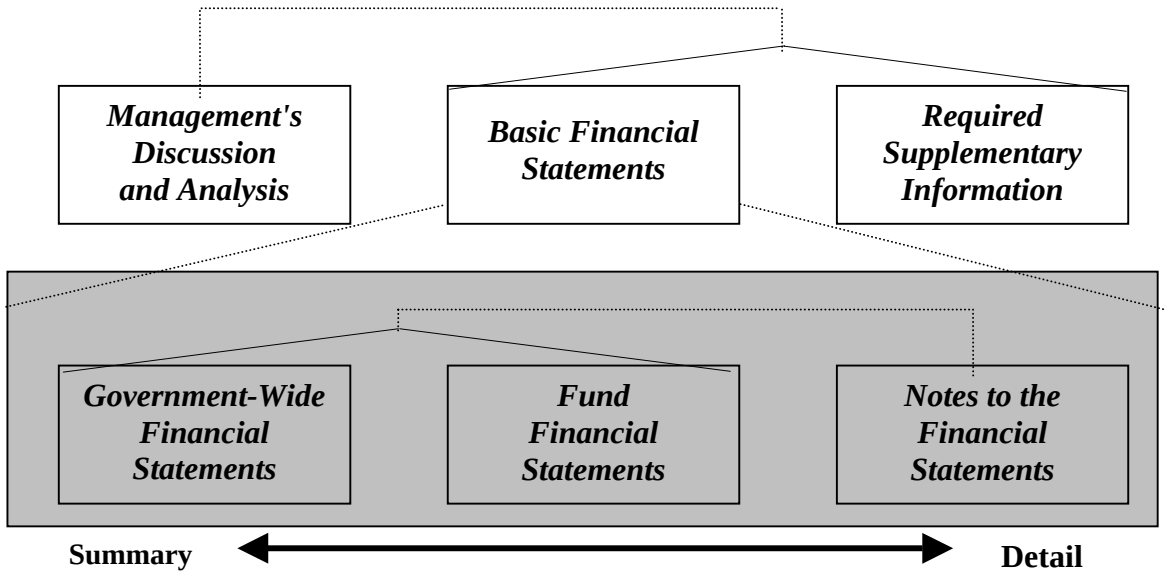

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

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

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Propriety Funds
Scope	Entire district	The activities of the district that are not proprietary such as special education and building maintenance	Activities the district operates similar to private businesses: food services
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of revenue expenses and changes in 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
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The Government-wide 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 statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

* Over time, increases or decreases in the District's net assets are an indicator or whether financial position is improving to deteriorating, respectively.

* To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 taxes 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 would be included here.

Fund Financial Statements

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

* Some funds are required by state law and by bond covenants.

* The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

* *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 funds statements provide a detailed short-term view that helps you 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 in exhibits following the governmental funds statements explains the relationship or differences between the two statements.

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

* *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 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.

Government-Wide Financial Statements

Net assets. The District's combined net assets showed a slight increase ending June 30, 2004 compared to June 30, 2003. The increase was in the Restricted area of the Net Assets due to the District being awarded a QZAB loan during the year and funds not be expended.

Figure A-3
Condensed Statement of Net Assets
(Expressed in thousands)

	Governmental Activities		Business-Type Activities		Total Allamakee CSD		Total Change %
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2003-2004**
Current & other assets	7,655	6,800	233	198	7,888	6,998	12.7%
Capital assets	2,003	1,698	67	47	2,070	1,745	18.6%
Total assets	9,658	8,498	300	245	9,958	8,743	13.9%
Current Liabilities	5,296	5,618	11	12	5,307	5,630	-5.7%
Long-term obligations	1,142	265			1,142	265	330.0%
Total liabilities	6,438	5,883	11	12	6,449	5,895	9.4%
Net Assets							
Invested in capital assets, net of debt	1,003	1,698	67	47	1,070	1,745	-38.7%
Restricted	1,685	593	-	-	1,685	593	184.1%
Unrestricted	532	324	222	186	754	510	47.8%
Total net assets	3,220	2,615	289	233	3,509	2,848	23.2%

The District's improved financial position is attributed to the District receiving a QZAB loan and proceeds not being expended yet. The District has also been trying to control expenditures to avoid having to use additional carryover fund balances to meet its financial obligations during the year.

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

Figure A-4
Changes in Net Assets
(Expressed in thousands)

	Governmental Activities		Business-Type Activities		Total Allamakee CSD	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for service and sales	$723	$635	$353	$357	$1,076	$992
Operating grants, contributions and restricted interest	$1,674	$1,749	$256	$254	$1,930	$2,003
General revenues						
Property taxes	$3,598	$3,443	$0	$0	$3,598	$3,443
Local option sales tax	$641	$532	$0	$0	$641	$532
Unrestricted state grants	$5,117	$5,151	$0	$0	$5,117	$5,151
Unrestricted investment earnings	$36	$46	$2	$3	$38	$49
Other	$104	$24	$0	$0	$104	$24
Total revenues	$11,893	$11,580	$611	$614	$12,504	$12,194
Program expenses:						
Governmental activities:						
Instruction	$7,266	$7,364	$0	$0	$7,266	$7,364
Support services	$3,319	$3,119	$0	$0	$3,319	$3,119
Non-instructional program	$34	$12	$555	$567	$589	$579
Other expenses	$669	$700	$0	$0	$669	$700
Total expenses	$11,288	$11,195	555	$567	$11,843	$11,762
Change in net assets	$605	$385	$56	$47	$661	$432

Property tax and unrestricted state grant account for 73% of the total revenue, which is a slight decrease from 74% for Fiscal 2003. The District's expenses primarily relate to instruction and support services, which account for 94% of total expenses, which is the same as Fiscal, 2003. (See Figure A-4 Governmental Revenues and Governmental Expenditures)

Governmental Activities

Revenues for governmental activities were $11,892,559 while expenses amounted to $11,287,315.

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

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in thousands)

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
Instruction	$7,266	$7,364	$5,411	$5,547
Support Services	$3,319	$3,119	$3,250	$3,040
Non-instructional programs	$34	$12	$34	$12
Other expenses	$668	$700	$196	$213

* A portion of the cost financed by users of the District's programs was $722,810.

* The federal and state government subsidized certain programs with grants and contributions totaling $1,660,795.

The net cost portion of governmental activities was financed with $3,597,557 in property tax, $5,117,339 in unrestricted state aid and $35,713 in interest income.

Business-Type Activities

Revenues of the District's business-type activities decreased by 1% to 611,201 while expenses increase by 2% to $555,140. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Individual Fund Analysis

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

The strong 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 $2,359,553 above last year's ending fund balance of $1,181,666. The primary reason for the increase was the revenue from sales tax and the QZAB loan proceeds.

Governmental Fund Highlights

* The District's deteriorating General Fund financial position is the product of many factors. The main factor was the restatement (reduction) of the beginning fund balance for $84,658 of employee health insurance benefits that had not been reported as a liability in the prior year.

* The District did apply for a QZAB loan and received the funds in September, 2003. This loan is deposited in the Physical Plant and Equipment and will be repaid with the voter approved Physical Plant and Equipment levy that was approved in April, 2003. These funds will be raised through

income surtax and began begin being generated during 2003 with the first payment to be made to the school in December 2004.

* In December 2001 the residents of Allamakee County approved a School Infrastructure Local Option Tax (Sales Tax). The levy began July 1, 2002 and the District began receiving the money in September 2002. These additional funds are making improvements and updates to the buildings in the District including: asbestos removal, roof repairs and boiler replacement.

Proprietary Fund Highlights

* The District began replacing old and obsolete equipment in the food service department, which accounted for expenses increasing at a higher rate then revenue.

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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Over the course of the year, the District amended its annual operating one time to reflect additional expenditures in the instructional, support services and other expenditure areas. 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.

The 2003-04 budget was amended in May, 2004 because it was projected that some of the summer projects would be completed in June, 2004 so that payment could be made in the fiscal 04 budget. These projects were not started until after July 1, 2004, which is the major reason the total amend budget amount of $13,253,075 was considerably higher then the actual amount spent of $12,282,858. One other major factor contributing to this difference included outstanding purchase orders on June 30th.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

General Fund Budgetary Highlights

* The District continues to monitor fund balances noting a decrease of $96,375 in the General Fund.
* The District participated in the Series A ISCAP program to cover any short falls in cash flow during the year.

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal 2004, the District had invested $2,070,421 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic faculties, computers and audio-visual equipment, and transportation equipment. The District purchased eight acres of land adjacent to the high school in December, 2003. More detailed information is available in Note 4 of the financial statement. Depreciation expense for the year was 206,507.

The District had several construction commitments as of June 30, 2004 for the 2004-05 fiscal year. These projects included partial roof replacement at West Elementary and the Senior High School, window replacement at the Senior High, door replacement throughout the District, resurfacing of the parking lot between the Senior High and West Elementary, resurfacing of West Elementary playground and well replacement at Waterville Elementary. QZAB funds will be used to pay for projects at West Elementary and Waterville Elementary and other projects will be paid using sales tax funds.

Figure A-6
Capital Assets, net of depreciation

	Governmental Activities		Business-Type Activities		Total Allamakee CSD		Total Change %
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2003-2004**
Land	$277,641	$113,545	$0	$0	$277,641	$113,545	144.5%
Construction in Progress	$0	$118,703	$0	$0	$0	$118,703	-100.0%
Buildings	$892,258	$660,018	$0	$0	$892,258	$660,018	35.2%
Improvements other than buildings	$188,632	$205,841	$0	$0	$188,632	$205,841	-8.4%
Furniture and Equipment	$644,539	$599,896	$67,351	$46,761	$711,890	$646,657	10.1%
Totals	$2,003,070	$1,698,003	$67,351	$46,761	$2,070,421	$1,744,764	18.7%

Long Term Debt

At year-end, the district had $1,142,264 in other long-term liabilities. This reflects $121,304 owed in salary and benefits to early retirees and $20,960 owed to staff for earned but not used vacation. These numbers decreased significantly because the District no longer offers early retirement and all vacation owed to the Superintendent was reimbursed at his retirement. The District received a $1,000,000 Qualified Zone Academy Bond during the 2003-04 school year. The District will begin paying the loan during the 2004-05 school year. (See Figure A-7.)

Figure A-7
Outstanding Long-Term Obligations

	2004	2003	Total Change % 2003-2004
Qualified Zone Academy Bonds	$1,000,000		100.0%
Early Retirement	$121,304	$233,235	-48.0%
Compensated absences	$20,960	$31,314	-33.0%
Total	$1,142,264	$264,549	330.5%

Factors Bearing on the District's Future

At the time these financial statement were prepared, the District was aware of two circumstances that could significantly affect its financial health in the future:

* The official student enrollment count taken in September, 2004 showed a decline of 18.8 students.

* The District received a $1,000,000 interest free Qzab Loan during the fiscal year 2004, which is being used to fund building repairs in the three District elementary buildings that qualify. Those buildings are East Elementary, West Elementary and Waterville Elementary.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customer, and 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 Janice Rea, School Board Secretary/Treasurer/Business Manager, Allamakee Community School District, 1059 Third Avenue N.W., Waukon, Iowa 52172.

BASIC FINANCIAL STATEMENTS

Exhibit A

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	$	$	$
Assets			
Cash and cash equivalents:			
ISCAP	518,797	-	518,797
Other	3,010,416	214,470	3,224,886
Receivables:			
Property tax:			
Delinquent	61,295	-	61,295
Succeeding year	3,869,938	-	3,869,938
Accounts	11,662	1,057	12,719
Due from other governments	183,070	-	183,070
Inventories	-	17,640	17,640
Capital assets, net of accumulated depreciation	2,003,070	67,351	2,070,421
Total assets	9,658,248	300,518	9,958,766
Liabilities			
Accounts payable	39,776	-	39,776
Salaries and benefits payable	810,838	1,222	812,060
Deferred revenue:			
Succeeding year property tax	3,869,938	-	3,869,938
Other	51,916	10,100	62,016
ISCAP warrants payable	516,000	-	516,000
ISCAP premium	7,157	-	7,157
Long-term liabilities:			
Portion due within one year:			
Early retirement	113,669	-	113,669
Compensated absences	18,025	-	18,025
Portion due more than one year:			
Early retirement	7,635	-	7,635
Compensated absences	2,935	-	2,935
Qzab bonds payable	1,000,000	-	1,000,000
Total liabilities	6,437,889	11,322	6,449,211

See notes to financial statements.

Exhibit A

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	$	$	$
Net assets			
Invested in capital assets, net of related debt	1,003,070	67,351	1,070,421
Restricted for:			
Phase III	28,194	-	28,194
Management levy	38,664	-	38,664
Physical plant and equipment levy	1,004,484	-	1,004,484
Other special revenue purposes	130,004	-	130,004
Unspent local option sales taxes	483,393	-	483,393
Unrestricted	532,550	221,845	754,395
Total net assets	3,220,359	289,196	3,509,555

See notes to financial statements.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

		Program Revenues		
Function/Program	Expenses	Charges for Services	Operating Grants Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	$	$	$	$
Governmental Activities:				
Instruction:				
Regular instruction	4,663,496	265,111	809,137	-
Special instruction	1,636,501	48,422	340,097	-
Other instruction	965,596	379,702	12,207	-
	7,265,593	693,235	1,161,441	-
Support services:				
Student services	359,070	-	1,937	-
Instructional staff services	471,557	-	-	-
Administration services	940,618	-	-	-
Operation and maintenance of plant services	742,707	1,678	-	-
Transportation services	805,484	27,897	38,019	-
	3,319,436	29,575	39,956	-
Non-instructional programs	33,793	-	-	-
Other expenditures:				
Facilities acquisition	141,724	-	-	13,088
AEA flowthrough	459,398	-	459,398	-
Depreciation (unallocated)*	67,371	-	-	-
	668,493	-	459,398	13,088
Total governmental activities	11,287,315	722,810	1,660,795	13,088
Business type activities:				
Non-instructional programs:				
Food service operations	555,140	352,648	256,438	-
Total	11,842,455	1,075,458	1,917,233	13,088
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

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

See notes to financial statements.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
$	$	$
(3,589,248)	-	(3,589,248)
(1,247,982)	-	(1,247,982)
(573,687)	-	(573,687)
(5,410,917)	-	(5,410,917)
(357,133)	-	(357,133)
(471,557)	-	(471,557)
(940,618)	-	(940,618)
(741,029)	-	(741,029)
(739,568)	-	(739,568)
(3,249,905)	-	(3,249,905)
(33,793)	-	(33,793)
(128,636)	-	(128,636)
-	-	-
(67,371)	-	(67,371)
(196,007)	-	(196,007)
(8,890,622)	-	(8,890,622)
-	53,946	53,946
(8,890,622)	53,946	(8,836,676)
3,459,983	-	3,459,983
137,574	-	137,574
641,059	-	641,059
5,117,339	-	5,117,339
35,713	2,115	37,828
104,198	-	104,198
9,495,866	2,115	9,497,981
605,244	56,061	661,305
2,615,115	233,137	2,848,252
3,220,359	289,198	3,509,557

See notes to financial statements.

Exhibit C

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	$	$	$	$
Assets				
Cash and pooled investments:				
ISCAP	518,797	-	-	518,797
Other	1,213,127	1,102,213	695,076	3,010,416
Receivables:				
Property tax:				
Delinquent	54,331	2,271	4,693	61,295
Succeeding year	3,476,401	193,537	200,000	3,869,938
Accounts	11,662	-	-	11,662
Due from other governments	86,949	-	96,121	183,070
Total assets	5,361,267	1,298,021	995,890	7,655,178
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	17,251	-	22,525	39,776
Salaries and benefits payable	810,838	-	-	810,838
ISCAP warrants payable	516,000	-	-	516,000
ISCAP premium	7,157	-	-	7,157
Deferred revenue:				
Succeeding year property tax	3,476,401	193,537	200,000	3,869,938
Other	51,916	-	-	51,916
Total liabilities	4,879,563	193,537	222,525	5,295,625
Fund balances:				
Reserved for:				
Phase III	28,194	-	-	28,194
Unreserved	453,510	1,104,484	773,365	2,331,359
Total fund balances	481,704	1,104,484	773,365	2,359,553
Total liabilities and fund balances	5,361,267	1,298,021	995,890	7,655,178

See notes to financial statements.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	2,359,553
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the Governmental Funds.	2,003,070
Long-term liabilities, including bonds payable, early retirement benefits and compensated absences are not due and payable in the current period and therefore, are not reported as liabilities in the Governmental Funds.	(1,142,264)
Net assets of governmental activities (Exhibit A)	3,220,359

See notes to financial statements.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	$	$	$	$
Revenues:				
Local sources:				
Local tax	3,205,443	138,494	915,975	4,259,912
Tuition	192,329	-	-	192,329
Other	203,532	19,591	358,512	581,635
Intermediate sources	6,310	-	-	6,310
State sources	6,006,507	126	248	6,006,881
Federal sources	768,204	-	-	768,204
Total revenues	10,382,325	158,211	1,274,735	11,815,271
Expenditures:				
Current:				
Instruction:				
Regular instruction	4,554,089	-	224,248	4,778,337
Special instruction	1,636,501	-	-	1,636,501
Other instruction	623,669	-	353,460	977,129
	6,814,259	-	577,708	7,391,967
Support services:				
Student services	356,231	-	2,839	359,070
Instructional staff services	475,980	-	3,604	479,584
Administration services	890,879	50,000	10,093	950,972
Operation and maintenance of plant services	729,652	12,047	4,368	746,067
Transportation services	820,243	-	7,425	827,668
	3,272,985	62,047	28,329	3,363,361
Non-instructional programs	9,346	-	24,447	33,793
Other expenditures:				
Facilities acquisition	-	47,120	419,028	466,148
AEA flowthrough	459,398	-	-	459,398
	459,398	47,120	419,028	925,546
Total expenditures	10,555,988	109,167	1,049,512	11,714,667
Excess (deficiency) of revenues over (under) expenditure	(173,663)	49,044	225,223	100,604
Other financing sources (uses):				
Compensation for loss of fixed assets	75,011	-	-	75,011
Sale of equipment	2,277	-	-	2,277
Bonds issued	-	1,000,000	-	1,000,000
Total other financing sources (uses)	77,288	1,000,000	-	1,077,288
Net change in fund balances	(96,375)	1,049,044	225,223	1,177,892
Fund balances beginning of year, as restated	578,079	55,440	548,142	1,181,661
Fund balances end of year	481,704	1,104,484	773,365	2,359,553

See notes to financial statements.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	$	$
Net change in fund balances - total governmental funds (Exhibit E)		1,177,892
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as as follows:		
Expenditures for capital assets	511,574	
Depreciation expense	(206,507)	305,067
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement	111,931	
Compensated absences	10,354	122,285
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(1,000,000)
Changes in net assets of governmental activities (Exhibit B)		605,244

See notes to financial statements.

Exhibit G

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	Nonmajor School Nutrition
	$
Assets	
Cash and cash equivalents	214,470
Accounts receivable	1,057
Inventories	17,640
Capital assets, net of accumulated depreciation	67,351
Total assets	300,518
Liabilities	
Salaries and benefits payable	1,222
Deferred revenue	10,100
Total liabilities	11,322
Net assets	
Invested in capital assets, net of related debt	67,351
Unrestricted	221,845
Total net assets	289,196

See notes to financial statements

Exhibit H

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Nonmajor School Nutrition
	$
Operating revenue:	
Local sources:	
Charges for service	352,648
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	195,136
Benefits	75,655
Purchased services	17,018
Supplies	259,563
Other expenses	-
Depreciation	7,616
	554,988
Operating loss	(202,340)
Non-operating revenue (expense):	
State sources	8,019
Federal sources	248,419
Interest income	2,115
Loss on disposal of equipment	(152)
Total non-operating revenue	258,401
Changes in net assets	56,061
Net assets beginning of year	233,137
Net assets end of year	289,198

See notes to financial statements.

Exhibit I

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2003

	Nonmajor School Nutrition
	$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	350,746
Cash payments to employees for services	(270,616)
Cash payments to suppliers for goods or services	(228,478)
Net cash used by operating activities	(148,348)
Cash flows from non-capital financing activities:	
State grants received	8,019
Federal grants received	203,016
Net cash provided by non-capital financing activities	211,035
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(28,358)
Cash flows from investing activities:	
Interest on investments	2,115
Net increase (decrease) in cash and cash equivalents	36,444
Cash and cash equivalents at beginning of year	178,026
Cash and cash equivalents at end of year	214,470
Reconciliation of operating loss to net cash used by operating activities:	
Operating gain (loss)	(202,340)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	45,403
Depreciation	7,616
Decrease (increase) in inventories	2,783
Decrease (increase) in accounts receivable	(1,057)
(Decrease) increase in accounts payable	(83)
(Decrease) increase in salaries and benefits payable	175
(Decrease) increase in deferred revenue	(845)
Net cash used in operating activities	(148,348)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received $45,403 of federal commodities.

See notes to financial statements.

1. Summary of Significant Accounting Policies

The Allamakee Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Waukon, Iowa and areas of Allamakee and Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Allamakee 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 Allamakee Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. 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 fund:

> The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.
>
> The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

Capital Assets – Capital assets, which include property, 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.

Asset Class	Amount $
Land	-
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives $
Buildings	25-50 years
Improvements other than buildings	20-25 years
Furniture and equipment	5-20 years

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.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences

liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004, 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.

The District has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3.

3. Iowa School Cash Anticipation Program (ISCAP)

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			$	$	$	$
2004-05A	06/30/04	06/30/05	518,797	-	516,000	-

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

	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
	$	$	$	$
Total	-	400,000	400,000	-

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

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

4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Governmental activities:				
Capital assets not being depreciated:				
Land	113,545	164,096	-	277,641
Construction in progress	118,703	67,890	186,593	-
Total capital assets not being depreciated	232,248	231,986	186,593	277,641
Capital assets being depreciated:				
Buildings	2,835,169	282,402	-	3,117,571
Improvements other than buildings	379,772	-	-	379,772
Furniture and equipment	2,381,069	183,779	108,041	2,456,807
Total capital assets being depreciated	5,596,010	466,181	108,041	5,954,150
Less accumulated depreciation for:				
Buildings	2,175,151	50,162	-	2,225,313
Improvements other than buildings	173,931	17,209	-	191,140
Furniture and equipment	1,781,173	139,136	108,041	1,812,268
Total accumulated depreciation	4,130,255	206,507	108,041	4,228,721
Total capital assets being Depreciated, net	1,465,755	259,674	-	1,725,429
Governmental activities capital assets, net	1,698,003	491,660	186,593	2,003,070

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Business type activities:				
Furniture and equipment	126,970	28,358	607	154,721
Less accumulated depreciation	80,209	7,616	455	87,370
Business type activities capital assets, net	46,761	20,742	152	67,351

Depreciation expense was charged to the following functions:

	$
Governmental activities:	
Instruction:	
Regular	7,204
Other	7,084
Support Services:	
Instructional staff services	17,425
Operation and maintenance of plant	1,590
Transportation	102,462
Facilities acquisition	3,371
	139,136
Unallocated depreciation	67,371
Total depreciation expense – governmental activities	206,507
Business type activities:	
Food service operations	7,616

5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	$	$	$	$	$
Qualified Zone Academy Bonds	-	1,000,000	-	1,000,000	-
Early retirement	233,235	-	111,931	121,304	113,669
Compensated absences	31,314	3,935	14,289	20,960	18,025
Total	264,549	1,003,935	126,220	1,142,264	131,694

Early Retirement – The District offered a voluntary early retirement plan to its certified employees in previous years, the plan is no longer in effect, but the District is still paying former employees that retired under the previous plan. Early retirement expenditures for the year ended June 30, 2004, totaled $111,931.

Qualified Zone Academy Bonds – The District issued $1,000,000 of qualified zone academy bonds in September 2003. The bonds were issued to finance remodeling of existing school facilities that have been designated qualified zone academy projects. The bonds are interest free and the entire balance is due on May 1, 2013. Beginning May 1, 2005 the District will be required to place nine annual payments of $98,347 into an escrow account, which has a 3% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature. The annual payments to the escrow account will be made from the Physical Plant and Equipment Levy Fund.

Year Ending June 30,	Interest Rates	Principal
	%	$
2005	-	-
2006	-	-
2007	-	-
2008	-	-
2009	-	-
2010-2013		1,000,000
		1,000,000

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were $360,389, $356,658, and $348,529 respectively, equal to the required contributions for each year.

7. Risk Management

Allamakee Community School District is a member in the Northeast Iowa Conference Schools 28E Retention Pool Trust, an Iowa Code Chapter 28E organization. The Northeast Iowa Conference school 28E Retention Pool Trust (Trust) is a local government risk-sharing pool whose members include various schools throughout northeast Iowa. The primary purpose of the Trust is to provide medical and dental benefits to the School employees and retirees, and their dependents.

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the Trust. District contributions to the Trust for the year ended June 30, 2004 were $1,499,627.

Payments from participating schools are the sole source for paying claims and establishing reserves for the Trust's self-funded programs. Stop loss insurance is purchased to cover claims in excess of $80,000 per individual and aggregate stop loss insurance is purchased to limit the total cost to the group, but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.
The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $459,398 for the year ended June 30, 2004, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Construction Commitment

The District has entered into a contracts totaling $408,725 for building and parking improvements. Work on the projects had not started at June 30, 2004.

10. Restatement of Prior Year Net Assets and Fund Balance

In the government-wide financial statements net assets, beginning of year was restated for $84,658 of accrued employee benefits that were not reported as a liability on the prior year financial statements. In the fund financial statements the General Fund, fund balance beginning of year was restated for the same amount and reason.

REQUIRED SUPPLEMENTARY INFORMATION

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	$	$	$		$	$
Receipts:						
Local sources	5,068,014	352,861	5,420,875	4,998,334	4,998,334	422,541
Intermediate sources	6,310		6,310	7,000	7,000	(690)
State sources	6,055,922	8,019	6,063,941	6,200,362	6,200,362	(136,421)
Federal sources	743,577	248,419	991,996	1,005,000	1,005,000	(13,004)
Total receipts	11,873,823	609,299	12,483,122	12,210,696	12,210,696	272,426
Disbursements:						
Instruction	7,350,818	-	7,350,818	7,285,000	7,700,000	349,182
Support services	3,363,364	-	3,363,364	3,172,750	3,400,000	36,636
Non-instructional programs	33,793	572,855	606,648	653,075	653,075	46,427
Other expenditures	962,028	-	962,028	1,138,094	1,500,000	537,972
Total disbursements	11,710,003	572,855	12,282,858	12,248,919	13,253,075	970,217
Excess (deficiency) of receipts over (under) disbursements	163,820	36,444	200,264	(38,223)	(1,042,379)	1,242,643
Other financing sources net	1,077,288	-	1,077,288	-	1,000,000	77,288
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	1,241,108	36,444	1,277,552	(38,223)	(42,379)	1,319,931
Balance beginning of year	1,769,308	178,026	1,947,334	1,457,419	1,457,419	489,915
Balance end of year	3,010,416	214,470	3,224,886	1,419,196	1,415,040	1,809,846

See accompanying independent auditor's report

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	$	$	$
Revenues	11,873,823	(58,552)	11,815,271
Expenditures	11,710,003	4,664	11,714,667
Net	163,820	(63,216)	100,604
Other financing sources (uses)	1,077,288	-	1,077,288
Beginning fund balances	1,769,308	(587,647)	1,181,661
Ending fund balances	3,010,416	(650,863)	2,359,553

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	$	$	$
Revenues	609,299	1,902	611,201
Expenditures	572,855	(17,715)	555,140
Net	36,444	19,617	56,061
Beginning fund balances	178,026	55,111	233,137
Ending fund balances	214,470	74,728	289,198

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by $1,004,156.

OTHER SUPPLEMENTARY INFORMATION

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

	Special Revenue Funds			
Assets	Management Levy	Student Activity Fund	Capital Projects Fund	Total
	$	$	$	$
Cash and pooled investments	155,758	135,802	403,516	695,076
Receivables:				
Property tax:				
Delinquent	4,693	-	-	4,693
Succeeding year	200,000	-	-	200,000
Due from other governments	-	-	96,121	96,121
Total assets	360,451	135,802	499,637	995,890
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	483	5,798	16,244	22,525
Deferred revenue:				
Succeeding year property tax	200,000	-	-	200,000
Total liabilities	200,483	5,798	16,244	222,525
Fund balances:				
Unreserved fund balance	159,968	130,004	483,393	773,365
Total liabilities and fund balances	360,451	135,802	499,637	995,890

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds			
	Management Levy	Student Activity Fund	Capital Projects Fund	Total
	$	$	$	$
Revenues:				
Local sources:				
Local tax	274,916	-	641,059	915,975
Other	2,349	347,694	8,469	358,512
State sources	248	-	-	248
Total revenues	277,513	347,694	649,528	1,274,735
Expenditures:				
Current:				
Instruction:				
Regular instruction	224,248	-	-	224,248
Other instruction	-	353,460	-	353,460
Support services:				
Student services	2,839	-	-	2,839
Instructional staff services	3,604	-	-	3,604
Administration services	10,093	-	-	10,093
Operation and maintenance of plant services	4,368	-	-	4,368
Transportation services	7,425	-	-	7,425
Non-instructional programs	24,447	-	-	24,447
Other expenditures:				
Facilities acquisition	-	-	419,028	419,028
Total expenditures	277,024	353,460	419,028	1,049,512
Excess (deficiency) of revenues over (under) expenditures	489	(5,766)	230,500	225,223
Fund balances beginning of year	159,479	135,770	252,893	548,142
Fund balances end of year	159,968	130,004	483,393	773,365

See accompanying independent auditor's report.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	$	$	$	$
East Elementary				
Unallocated interest	8,089	6,029	4,301	9,817
Book Fair	158	1,390	1,209	339
Waterville				
Unallocated interest	10,154	1,556	4,025	7,685
Book Fair	65	948	948	65
Waterville prairie	452	772	796	428
Junior High				
Drama	-	195	195	-
Boys athletics	-	2,567	2,567	-
Boys basketball	-	1,719	1,719	-
Boys football	-	4,484	4,484	-
Boys track	-	1,010	1,010	-
Boys cross country	-	46	46	-
Boys wrestling	-	452	452	-
Girls athletics	-	2,567	2,567	-
Girls basketball	-	2,047	2,047	-
Girls volleyball	-	2,437	2,437	-
Girls track	-	806	806	-
Girls cross country	-	46	46	-
Annual	-	5,236	5,236	-
Cheerleaders	441	1,073	1,514	-
Juice machine	1,000	12,226	9,966	3,260
Milk vendor	100	3,291	2,595	796
Interest	92	121	-	213
Student council	2,415	1,704	1,568	2,551
Unallocated interest	10,952	(2,161)	7,627	1,164
West Elementary				
Unallocated interest	4,263	2,179	1,722	4,720
Book Fair	1,034	1,678	1,578	1,134
High School				
Rewards club	320	-	-	320
Drama	1,641	1,708	852	2,497
Musical	7,585	4,132	7,921	3,796
Boys athletics	4,348	8,825	5,842	7,331
Boys basketball	1,000	7,051	7,051	1,000
Boys basketball club	349	110	169	290
Boys basketball camp	1,729	1,915	3,272	372
Boys football	1,000	22,048	21,048	2,000
Football club	17	9,211	9,176	52
Boys baseball	-	9,720	9,720	-

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	$	$	$	$
Boys track	-	6,812	6,812	-
Boys cross country	-	676	676	-
Boys golf	-	866	866	-
Boys wrestling	1,000	7,088	8,088	-
Girls athletics	6,918	(201)	4,802	1,915
Girls basketball	13,348	35,075	36,423	12,000
Indian girls basketball club	1,733	11,403	10,506	2,630
Fundamentals camp	-	2,105	1,732	373
Girls volleyball	-	11,269	11,269	-
Girls softball	-	9,172	9,172	-
Girls track	-	6,750	6,750	-
Girls cross country	-	591	591	-
Girls golf	-	2,313	2,313	-
Annual	6,938	10,387	10,106	7,219
Cheerleaders	77	8,436	8,513	-
Milk vendor	-	1,517	1,211	306
Interest	5,555	(2,025)	-	3,530
Class of 2006	204	-	-	204
Class of 2004	817	214	973	58
Concessions	16,845	40,007	36,718	20,134
Class of 2005	316	2,093	1,446	963
FBLA	47	9,699	9,746	-
FFA	7,154	42,740	38,128	11,766
FCCLA	2,280	653	968	1,965
Flags	184	-	-	184
NHS	268	3,503	2,810	961
SADD	56	-	-	56
Student council	4,657	5,125	3,803	5,979
Spanish club	13,968	3,543	2,642	14,869
Unallocated interest	765	6,486	7,216	35
Manufacturing	113	1,695	1,581	227
Indian café club	473	564	439	598
June 30, 2003 accruals	(5,150)		(5,150)	-
June 30, 2004 accruals	-	-	5,798	(5,798)
Total	135,770	347,694	353,460	130,004

See accompanying independent auditor's report.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	$	$	$	$
Revenues:				
Local sources:				
Local tax	4,259,912	3,995,152	3,325,782	3,205,986
Tuition	192,329	136,907	139,619	143,776
Other	581,635	546,063	460,724	433,835
Intermediate sources	6,310	7,674	7,057	1,245
State sources	6,006,881	6,094,479	5,766,398	6,068,090
Federal sources	768,204	800,788	699,176	274,944
Total revenues	11,815,271	11,581,063	10,398,756	10,127,876
Expenditures:				
Instruction:				
Regular instruction	4,778,337	4,901,094	4,489,960	4,232,529
Special instruction	1,636,501	1,380,698	1,388,337	1,315,338
Other instruction	977,129	960,432	810,326	834,517
Support services:				
Student services	359,070	236,796	231,934	263,439
Instructional staff services	479,584	567,641	441,207	460,722
Administration services	950,972	843,616	838,595	741,746
Operation and maintenances of plant services	746,067	647,529	604,970	705,502
Transportation services	827,668	847,563	733,383	764,644
Other support services	-	1,818	-	-
Non-instructional programs	33,793	12,505	12,204	12,613
Other expenditures:				
Facilities acquisition	466,148	395,083	131,263	52,961
AEA flowthrough	459,398	486,388	473,201	493,319
Total expenditures	11,714,667	11,281,163	10,155,380	9,877,330

See accompanying independent auditor's report.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Grantor/Program	CFDA Number	Grant Number	Expenditures $
Direct:			
U.S. Department of Education			
21st Century Community Learning Center Grant	84.284	S287A011155	351,948
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Lunch Program	10.555	FY04	182,642
School Breakfast Program	10.553	FY04	20,374
			203,016
Food Donation (noncash)	10.550	FY04	45,403
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	0035-G-04	206,010
Title I Grants to Local Education Agencies	84.010	0035-GC-04	43,580
			249,590
Title IIA Federal Teacher Quality Program	84.367	FY04	68,070
Grants for State Assessments and Related Activities	84.369	FY04	5,258
Innovative Education Program Strategies (Title V Program)	84.298	FY04	18,392
Safe & Drug Free Schools and Communities - State Grant	84.186	FY04	9,764
Keystone AEA:			
Special Education Grants to States	84.027	FY04	62,351
Total			1,013,792

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Allamakee Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used the preparation of, the basic financial statements.

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

To the Board of Education of the
Allamakee Community School District:

We have audited the financial statements of the Allamakee Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 12, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Allamakee 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 grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered Allamakee Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, 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 II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-II-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-II-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Allamakee 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 Allamakee Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

October 12, 2004

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance

To the Board of Education of the
Allamakee Community School District:

Compliance

We have audited the compliance of the Allamakee Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Allamakee Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Allamakee Community School District's management. Our responsibility is to express an opinion on Allamakee Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allamakee Community School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Allamakee Community School District's compliance with those requirements.

In our opinion, Allamakee Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control over Compliance

The management of Allamakee Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Allamakee Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operations that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described as item 04-III-A in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement program 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 compliance 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, we believe item 04-III-A is a material weakness.

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

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

October 12, 2004

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

(a) An unqualified opinion was issued on the financial statements.

(b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.

(c) The audit did not disclose any noncompliance which is material to the financial statements.

(d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.

(e) An unqualified opinion was issued on compliance with requirements applicable to each major program.

(f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major programs were as follows:

- CFDA Number 84.287 21st Century Community Learning Center Grant
- CFDA Number 84.010 Title I Grants to Local Educational Agencies

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) Allamakee Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

CFDA Number 84.287: 21st Century Community Learning Center Grant
Award # S287A011155
Federal Award Year: 2004
U.S. Department of Education
Direct Grant

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2004
U.S. Department of Education
Passed through the Iowa Department of Education

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

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

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

Conclusion: Response accepted.

Part IV: Other Findings Related to Statutory Reporting:

04-IV-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-IV-B Certified Budget: Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.

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

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

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

Name, Title and Business Connection	Transaction Description
Dwight Watkins, board member, loan officer at local bank	School banking

Recommendation: The District should consult with its attorney before entering into any transactions with this bank.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

04-IV-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

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

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

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