

**LE MARS COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004
TABLE OF CONTENTS**

	Page
List of Officials	1
FINANCIAL SECTION	
Independent Auditors' Report	2 - 3
Management Discussion and Analysis	4 - 15
BASIC FINANCIAL STATEMENTS	
District-Wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17 - 18
Governmental Fund Financial Statements:	
Balance Sheet	19 - 20
Statements of Revenues, Expenditures, and Changes in Fund Balances	21 - 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenue, Expenses and Changes in Net Assets - Proprietary Fund	24
Statement of Cash Flows – Business Type Activity	25
Statement of Net Assets – Fiduciary Funds	26
Notes to Financial Statements	27 - 39
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Fund Types and Proprietary Fund Type	40 - 41
SUPPLEMENTAL INFORMATION	
	Schedule
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	1 42 - 46
Combining Balance Sheet – Governmental Nonmajor Funds	2 47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Nonmajor Funds	3 48
Schedule of Individual Student Activity Account Activity	4 49 - 50
Comparison of Taxes and Intergovernmental Revenues and Receipts	5 51
SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards	6 52
Schedule of Findings and Questioned Costs	7 53 - 57
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58 - 59
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	60 - 61
Corrective Action Plan	62

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LE MARS COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2004

Board of Education (Before September 2003 Election)

		Term Expires
Cris Collins	President	2004
Dr. Leon Scott	Vice President	2003
Daniel Smith	Board Member	2005
Patrick Murphy	Board Member	2004
Dr. Mark Stelzer	Board Member	2004
Dr. Chuck Holz	Board Member	2003
Marjorie Franke	Board Member	2005

Board of Education (After September 2003 Election)

Cris Collins	President	2004
Dr. Leon Scott	Vice President	2006
Dr. Mark Stelzer	Board Member	2004
Patrick Murphy	Board Member	2004
Daniel Smith	Board Member	2005
Dr. Chuck Holz	Board Member	2006
Marjorie Franke	Board Member	2005

School Officials

Dr. Todd Wendt	Superintendent	2004
Derald Philips	District Secretary	2004
Kim Clarey	District Treasurer	2004
Bauerly, Trotzig & Bauerly	Attorney	2004

INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Le Mars Community School District
Le Mars, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Le Mars Community School District 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 the Le Mars Community School District's management. 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 activity, each major fund, and the aggregate remaining fund information of Le Mars Community School District as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2004 on our consideration of the Le Mars Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and page 38 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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 Le Mars Community School District's basic financial statements. The supplemental information, included in Schedules 1 through 7, including the accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget 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.

Williams & Company P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
August 20, 2004

Management Discussion and Analysis

Le Mars Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

Overview of the Financial Statements

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

- The first two statements are *district-wide financial statements* that provide 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* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

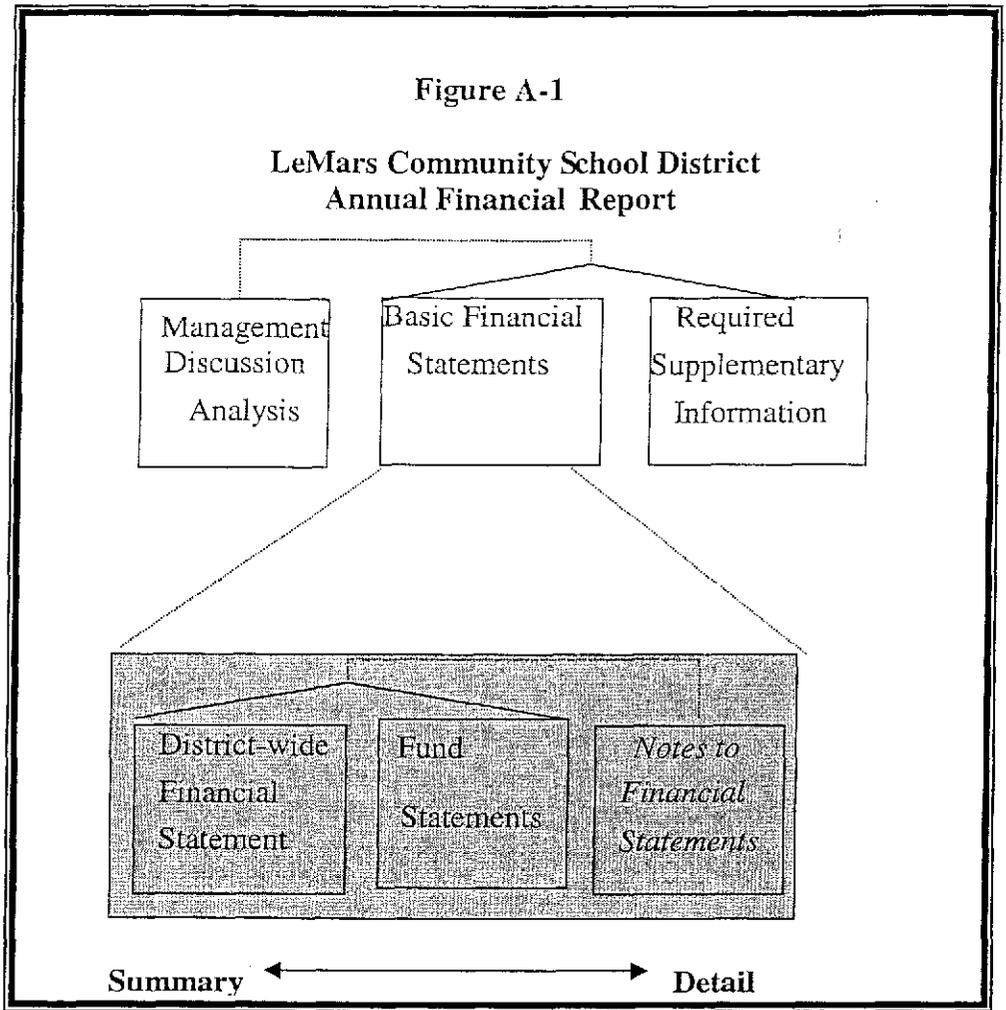


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

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

District-wide Financial Statements

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or 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 District-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 it cover the costs of certain services it provides. The District's food service 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

Types 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 the reader 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 District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *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 District-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. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

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

Figure A-3
Condensed Statement of Net Assets June 30, 2004

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2003	2004	2003	2004	2003	2004	
Current and other assets	\$11,129,630	\$10,622,350	\$76,200	\$49,393	\$11,205,830	\$10,671,743	(4.77%)
Capital Assets	7,474,924	7,363,389	5,925	4,351	7,480,849	7,367,740	(1.51)%
Total assets	18,604,554	17,985,739	82,125	53,744	18,686,679	18,039,483	(3.46%)
Long-term debt outstanding	2,230,000	1,475,000	---	---	2,230,000	1,475,000	(33.86%)
Other Liabilities	7,458,065	7,338,872	7,065	20,570	7,465,130	7,359,442	(1.42%)
Total Liabilities	9,688,065	8,813,872	7,065	20,570	9,695,130	8,834,442	(8.88%)
Net Assets							
Invested in capital assets, net of related debt	5,244,924	5,883,030	5,925	4,351	5,250,849	5,887,381	12.12%
Restricted	736,456	284,960	---	---	736,456	284,960	(61.31%)
Unrestricted	2,935,109	3,003,877	69,135	28,823	3,004,244	3,032,700	.95%
Total net assets	\$8,916,489	\$9,171,867	\$75,060	\$33,174	\$8,991,459	\$9,205,041	2.38%

The District's combined net assets increased by 2.38% from \$8,991,489 to \$9,205,041.

The overall financial performance of the District remains strong even though the past three years have each shown small declines in the unreserved/undesignated fund balance. These small declines can primarily be attributed to the poor performance of the State of Iowa economy and its relationship to State Aid. In October of 2003, the district was informed of a 4.3% across the board cut in all state aid. In addition to this factor, the district has made a fully conscious decision to continue its commitment to a number of programming changes phased in over the past several years for the purpose of improved learning for all students.

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

Figure A-4 Changes in Net Assets from Operations							
	Governmental Activities		Business-type Activities		Total District		Total % Change
	2003	2004	2003	2004	2003	2004	
Revenue							
Program Revenues							
Charges for Services	\$1,094,112	\$1,008,377	\$265,766	\$266,605	\$1,359,878	\$1,274,982	(6.25%)
Operating Grants							
Contributions	1,719,848	1,696,100	220,987	233,606	1,940,835	1,929,706	(.06%)
Capital Grants & Cont.							
General Revenues							
Property Tax	5,627,826	5,955,087	--	---	5,617,826	5,955,087	6.00%
State Aid	7,112,992	7,244,306	--	---	7,112,992	7,244,306	1.85%
Other	329,832	57,310	129	4,507	329,961	61,817	(81.27%)
Transfers	(81,322)	(80,818)	81,322	80,818	--	---	
TOTAL REVENUES	\$15,793,288	\$15,880,362	\$568,204	\$585,536	\$16,361,492	\$16,465,898	.64%
Expenses							
Instruction	10,350,059	10,364,277	--	---	10,350,059	10,364,277	.14%
Support Services	4,261,742	4,251,197	594,920	627,422	4,856,662	4,878,619	.45%
Debt Services	117,705	93,345	--	---	117,705	93,345	(20.69%)
Intergovernmental	628,078	657,856	--	---	688,078	657,856	(4.39%)
TOTAL EXPENSES	\$15,417,584	\$15,366,675	\$594,920	\$627,422	\$16,012,504	\$15,994,097	(.11%)
INCREASE(DECREASE)	\$375,704	\$513,687	\$(26,716)	\$(41,886)	\$348,988	\$471,801	36.05%

Changes in Net Assets from Operating Results for the year ended June 30, 2004 -- Figure A-4.

Figure A-4 compares changes in net assets from operating results for 2003 and 2004. In 2004 state aid accounted for 44% of total revenues as compared to 43% for 2003. Property taxes in 2004 accounted for 36% of total revenues compared to 34% in 2003. State aid and property taxes combined provided 80% of the funding for District activities in 2004 and 77% in 2003.

District revenues for 2004 totaled \$16,465,898 compared to \$16,361,492 in 2003. 96% of total revenue was from governmental activities for 2004 and 97% for 2003.

District expenses for 2004 totaled \$15,994,097 as compared to \$16,012,504 for 2003. The District's predominant expenses are directly for instruction with 65% in 2004 and 65% in 2003.

Figure A-5
Sources of Revenues for Fiscal Year 2004

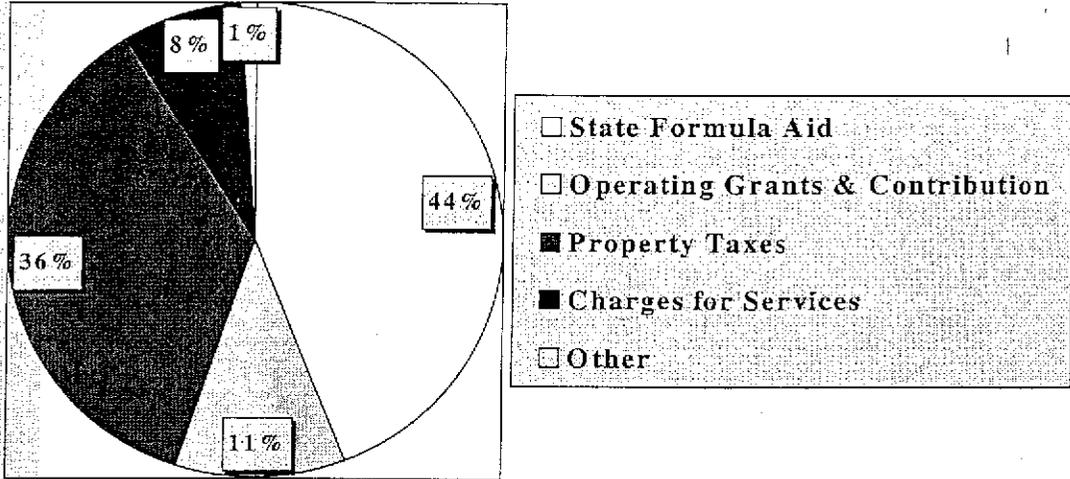
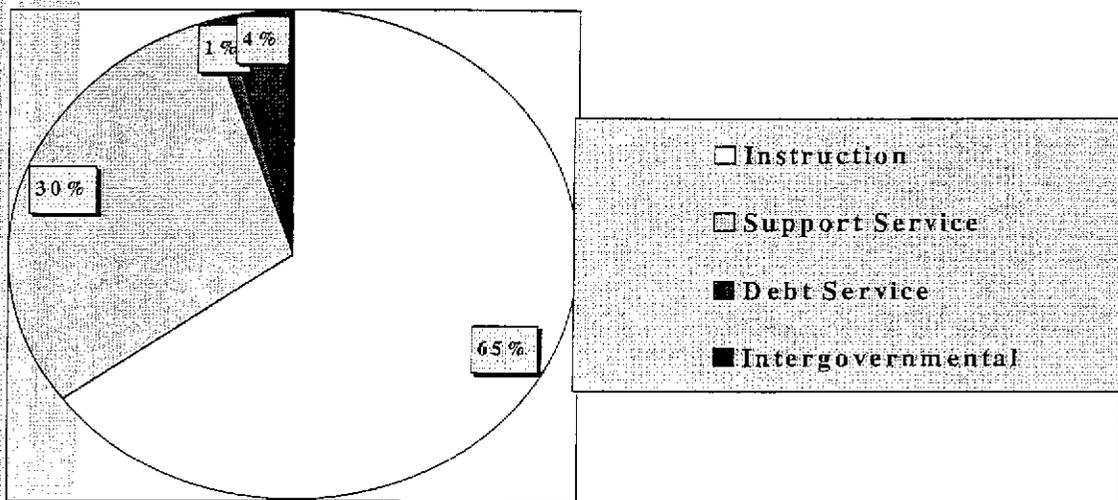


Figure A-6
Expenses for Fiscal Year 2004



Governmental Activities

Figure A-7 presents the cost of four major district activities: instruction, support services, debt services, and intergovernmental. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

Net Cost of Governmental Activities	Total Cost of Services		% Change	Net Cost of Services		% Change
	2003	2004		2003	2004	
Instruction	\$10,350,059	\$10,364,277	.13%	\$8,401,232	\$8,476,005	.89%
Support Services	4,261,742	4,251,197	(.25%)	4,084,687	4,092,848	.20%
Debt Service	117,705	93,345	(20.69%)	117,705	93,345	(20.69%)
Intergovernmental	688,078	657,856	(4.39%)	---	---	---
1						
TOTAL	\$15,417,584	\$15,366,675	(.33%)	\$12,603,624	\$12,662,198	.46%

- The cost of all governmental activities this year was \$15,366,675 as compared to \$15,417,584 for 2003. This represents an decrease of .3%.
- Most of the District's 2004 net costs of \$12,662,198 were financed by District and state taxpayers, i.e. \$7,244,306 of state aid and \$5,955,087 of property tax.
- Federal and state grants subsidized programs with grants totaling \$1,929,706 for 2004 compared to \$1,940,835 for 2003.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$585,536 and expenses totaled \$627,422. (Refer to Figure A-4.) Factors contributing to these results are as follows: Business-type activity expenditures exceeded revenue by \$41,866. This deficit was caused primarily by the school food and nutrition services program assuming the employee benefit and fixed charges costs rather than the costs being paid from general operating funds as has been done in the past and by a decision to hold off on a price increase. Prices have been increased by \$.10 per meal for 2005.

Financial Analysis of the District's Funds

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

General Fund Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the cash basis. During the year expenditures did not exceed the certified amounts.

There was some small variance in the District's budget in comparison to actual results. Total actual revenue was 2.1% less than budgeted, while total actual expenditures were 3.5% less than budgeted. Detail can be found in the supplementary information section of this report as required.

Capital Asset and Debt Administration

Capital Assets

By the end of 2004, the District had invested \$14,717,882 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-8) **(More detailed information about capital assets can be found in Note 4 to the financial statements.)** Total depreciation expense for the year equaled \$505,904.

Figure A-8 – Capital Assets (in millions of dollars)						
	Governmental Activities		Business-Type Activities		Total District	
	2003	2004	2003	2004	2003	2004
Land	.4	.4	--	---	.4	.4
Const. In Progress	--	.34	--	---	--	.34
Buildings	10.0	10.10	--	---	10.0	10.10
Equip/Furniture	3.7	3.87	.04	.04	3.74	3.87
Total	14.1	14.71	.04	.04	14.14	14.75

Long-Term Debt

At year-end, the District had \$1,475,000 of general obligation bonds outstanding. See Figure A-9 below.

Figure A-9					
Outstanding Long-Term Debt (in millions of dollars)					
Bonds		Notes		Total District	
2003	2004	2003	2004	2003	2004
.78	.40	1.45	1.07	2.23	1.47

Factors Bearing on the District's Future

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

- The weak national economy that has adversely impacted the State of Iowa's budget has translated into reduced levels of state funding. The State passed on a 4.3% across-the-board cut in state aid to school districts during 2004. It remains to be seen whether or not the State will live up to its total obligation for 2005.
- Under Iowa's school funding formula, the District is highly dependent on student enrollment. While enrollment has experienced modest growth the last several years, the count completed in September 2004 shows a slight enrollment decline of 17 students. A prolonged period of declining enrollment would have a very significant negative impact on the District's financial health.
- Other noteworthy factors-
 - The District's 1991 bond will be paid off during FY 2005.
 - The District's Capital Loan Notes will be paid off during FY 2007.
 - The District will begin receiving revenue from a one (1) cent local option sales tax during FY 2005. This tax was voted in for ten (10) years and will provide very significant revenue for capital repairs and improvement.
 - The District's total tax levy rate is comparatively quite low at \$12.34 per \$1,000 taxable valuation for FY 2005.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Kent Schwiesow, Assistant Superintendent, Le Mars Community School District, 921 3rd Ave. SW, Le Mars, IA 51031.

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 4,855,819	\$ 37,288	\$ 4,893,107
Investments (Restricted)	37,030		37,030
Receivables:			
Property Tax	62,548		62,548
Succeeding Year Property Tax	5,517,877		5,517,877
Accrued Interest	3,780		3,780
Accounts	25,041		25,041
Due from Other Governmental Agencies	120,255		120,255
Inventories		12,105	12,105
Land	393,275		393,275
Construction in Progress	344,817		344,817
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	6,625,297	4,351	6,629,648
Total Assets	17,985,739	53,744	18,039,483
LIABILITIES			
Accounts Payable and Accrued Liabilities	269,453	37	269,490
Deferred Revenue	5,517,878	9,318	5,527,196
Accrued Wages	1,499,697	11,215	1,510,912
Accrued Compensated Absences	46,485		46,485
Accrued Interest Payable	5,359		5,359
Long Term Debt Due Within One Year	785,000		785,000
Long Term Debt Due in More Than One Year	690,000		690,000
Total Liabilities	8,813,872	20,570	8,834,442
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,883,030	4,351	5,887,381
Restricted for:			
Scholarships	101,701		101,701
Debt Service	13,356		13,356
Student Activities	169,903		169,903
Unrestricted	3,003,877	28,823	3,032,700
Total Net Assets	\$ 9,171,867	\$ 33,174	\$ 9,205,041

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues	Program Revenues	
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Primary Government:				
Governmental Activities:				
Instruction:				
Regular	\$ 7,774,075	\$ 220,215	\$ 852,675	
Special Programs	1,695,325	104,596		
Vocational	65,760	7,738	37,715	
Co-curricular	824,705	665,076		
Adult/Continuing Education	4,412	257		
Support Services:				
Guidance	465,689			
Health	77,038			
Other Student Support	33,546	1,209		
Improvement of instruction	105,350		71,135	
Educational Media	383,760			
Board of Education	52,635			
Executive Administration	391,732			
Building Administration Services	859,960			
Business Administration	61,202			
Operations and Maintenance	1,088,531	11,752		
Student Transportation	608,217	(2,466)	76,719	
Nonprogram - Management	123,537			
Debt Service:				
Interest	93,345			
Intergovernmental:				
AEA Flowthrough	657,856		657,856	
Total governmental activities	<u>15,368,675</u>	<u>1,008,377</u>	<u>1,696,100</u>	<u>-</u>
Primary Business Type Activity				
School Nutrition Fund	<u>627,422</u>	<u>271,035</u>	<u>233,606</u>	<u>-</u>
Total School District	<u>\$ 15,994,097</u>	<u>\$ 1,279,412</u>	<u>\$ 1,929,706</u>	<u>\$ -</u>
General Revenues:				
Property taxes				
Interest on Investments				
State aid not restricted to specific programs				
Loss on disposal of Assets				
Contributions				
Miscellaneous				
Foster Care				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Prior Period Adjustment				
Net assets - beginning, as restated				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (6,701,185)		\$ (6,701,185)
(1,590,729)		(1,590,729)
(20,307)		(20,307)
(159,629)		(159,629)
(4,155)		(4,155)
(465,689)		(465,689)
(77,038)		(77,038)
(32,337)		(32,337)
(34,215)		(34,215)
(383,760)		(383,760)
(52,635)		(52,635)
(391,732)		(391,732)
(859,960)		(859,960)
(61,202)		(61,202)
(1,076,779)		(1,076,779)
(533,964)		(533,964)
(123,537)		(123,537)
(93,345)		(93,345)
-		-
(12,662,198)		(12,662,198)
	\$ (122,781)	(122,781)
(12,662,198)	(122,781)	(12,784,979)
5,857,406	-	5,857,406
97,681	77	97,758
7,244,306	-	7,244,306
(4,347)	-	(4,347)
37,959	-	37,959
22,331	-	22,331
1,367	-	1,367
(80,818)	80,818	-
13,175,885	80,895	13,256,780
513,687	(41,886)	471,801
8,916,489	75,060	8,991,549
(258,309)	-	(258,309)
8,658,180	75,060	8,733,240
\$ 9,171,867	\$ 33,174	\$ 9,205,041

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
Governmental Funds
June 30, 2004

	General	Management Levy
Assets		
Cash and Pooled Investments	\$ 4,196,327	
Receivables:		
Property Tax	48,869	2,912
Future Property Tax	4,386,274	282,000
Accrued Interest	3,780	
Accounts	986	
Due from Other Funds	30,063	
Due from Other Governmental Agencies	120,255	
Investment (Restricted)		
Total Assets	<u>8,786,554</u>	<u>284,912</u>
Liabilities and Equity		
Liabilities:		
Accounts Payable	43,574	
Due to Other Funds		30,063
Deferred Revenue	4,393,758	282,481
Accrued Wages	1,499,697	
Accrued Vacation Payable	46,485	
Total Liabilities	<u>5,983,514</u>	<u>312,544</u>
Fund Balances:		
Reserved for Scholarships		
Reserved for Debt Service		
Unreserved for:		
General Fund	2,803,040	
Special Revenue Fund		(27,632)
Total Fund Balances	<u>2,803,040</u>	<u>(27,632)</u>
Total Liabilities and Equity	<u>\$ 8,786,554</u>	<u>\$ 284,912</u>

See Accompanying Notes to Financial Statements

	PPEL Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
\$	415,097	\$ 9,821	\$ 234,574	\$ 4,855,819
	6,627	4,140		62,548
	430,703	418,900		5,517,877
	24,055			3,780
				25,041
				30,063
				120,255
			37,030	37,030
	876,482	432,861	271,604	10,652,413
	225,879			269,453
				30,063
	431,325	419,505		5,527,069
				1,499,697
				46,485
	657,204	419,505	-	7,372,767
			101,701	101,701
		13,356		13,356
				2,803,040
	219,278		169,903	361,549
	219,278	13,356	271,604	3,279,646
\$	876,482	\$ 432,861	\$ 271,604	

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	7,363,389
Accrued Interest on long term debt not reported on the modified accrual basis of accounting	(5,359)
Deferred revenues and accrued expenses from the balance sheet that provide current financial resources for governmental activities	9,191
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(1,475,000)
Net Assets of Governmental Activities	<u>\$ 9,171,867</u>

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2004

	General	Management Fund	PEEL Fund
Revenue:			
Local Sources	\$ 4,957,412	\$ 263,575	\$ 721,534
State Appropriations	8,531,215		
Federal Appropriations	405,558		
Total Revenue	<u>13,894,185</u>	<u>263,575</u>	<u>721,534</u>
Expenditures:			
Governmental Activities:			
Instruction:			
Regular	7,569,311		372,445
Special Programs	1,695,325		
Vocational	65,761		
Co-cirricular	313,312		93,411
Nonpublic	4,412		
Support Services:			
Guidance	465,689		
Health	77,038		
Other Student Support			
Improvement of Instruction	105,350		
Educational Media	341,299		
Board of Education	52,635		
Executive Administration	391,732		
Building Administration	859,960		
Business Administration	61,202		
Operations and Maintenance	943,182	141,279	9,472
Student Transportation	501,394		56,312
Activity Accounts			
Other Expenditures:			
Management		123,537	
Debt Service:			
Principal			
Interest			
Intergovernmental:			
AEA Flowthrough	657,856		
Total Expenditures	<u>14,105,458</u>	<u>264,816</u>	<u>531,640</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(211,273)</u>	<u>(1,241)</u>	<u>189,894</u>
Other Financing Sources (Uses):			
Operating Transfers In	82,588		
Operating Transfers Out			(434,388)
Total Other Financing Sources (Uses)	<u>82,588</u>	<u>-</u>	<u>(434,388)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(128,685)</u>	<u>(1,241)</u>	<u>(244,494)</u>
Fund Balances (Deficit)-Beginning of Year	2,931,725	(26,391)	463,772
Fund Balances (Deficit)- End of Year	<u>\$ 2,803,040</u>	<u>\$ (27,632)</u>	<u>\$ 219,278</u>

See Accompanying Notes to Financial Statements

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 420,757	\$ 686,105	\$ 7,049,383
		8,531,215
		405,558
420,757	686,105	15,986,156

		7,941,756
		1,695,325
		65,761
		406,723
		4,412
		465,689
		77,038
	33,546	33,546
		105,350
		341,299
		52,635
		391,732
		859,960
		61,202
		1,093,933
		557,706
	488,992	488,992
		123,537
755,000		755,000
95,958		95,958
		657,856
850,958	522,538	16,275,410
(430,201)	163,567	(289,254)
434,388		516,976
	(163,406)	(597,794)
434,388	(163,406)	(80,818)
4,187	161	(370,072)
9,169	271,443	3,549,718
\$ 13,356	\$ 271,604	\$ 3,279,546

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

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

Net change in fund balances - total governmental funds (page 22)	\$	(370,072)
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year.		151,120
Governmental funds report only the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.		(4,347)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.		(20,628)
Accrued Expenses not reported on modified accrual basis		2,614
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:		755,000
Change in net assets of governmental activities (page 18)	\$	<u>513,687</u>

LE MARS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2004

	School Nutrition Fund
Operating Revenues:	
Charges for services:	\$ 266,605
Miscellaneous	4,430
	271,035
Total Operating Revenue	
Operating Expenditures:	
Food Service Operations:	
Salaries	272,696
Food	325,624
Delivery	9,618
Supplies	14,138
Telephone	732
Other	3,040
Depreciation	1,574
	627,422
Total Operating Expenses	
Operating Loss	(356,387)
Non-Operating Revenues :	
Interest Income	77
State Lunch Reimbursements	10,877
National School Lunch Program	190,225
Federal Food Commodities Received	32,504
	233,683
Total Non-Operating Revenues	
Other Financing Sources	
Operating Transfers from other Funds	80,818
Change in net assets	(41,886)
Net Assets-beginning	75,060
Net Assets-ending	\$ 33,174

See Accompanying Notes to Financial Statements

LEMARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
Business Type Activity
For the Year Ended June 30, 2004

	School Nutrition Fund
Cash flows from operating activities:	
Cash received from customers or premiums	\$ 280,354
Cash payments for salaries and benefits	(272,695)
Cash payments for goods and services	(311,428)
Total cash (used) by operating activities	(303,769)
Cash flows from noncapital financing activities:	
Federal and state appropriations received	203,973
Transfers from other funds	80,818
Total cash provided by noncapital financing activities	284,791
Cash flows from investing activities:	
Interest on investments	77
Net (decrease) in cash and cash equivalents	(18,901)
Cash and pooled investments - beginning of year	56,189
Cash and pooled investments - end of year	\$ 37,288
Reconciliation of operating (loss) to net cash used in operating activities:	
Operating (loss)	(356,387)
Depreciation Expense	1,574
Change in assets and liabilities:	
Commodities Used	32,504
Decrease in inventory	5,035
Increase in deferred revenue	9,318
Increase in accrued wages	4,488
(Decrease) in accounts payable	(301)
Net cash (used) in operating activities	\$ (303,769)
Supplemental schedule of noncash noncapital financing activities:	
Federal food commodities received	\$ 32,504

See Accompanying Notes to Financial Statements

LEMARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
Fiduciary Funds
June 30, 2004

	<u>2004</u>
Cash and Temporary Cash Investments	\$ 3,745
Total Net Assets	<u>3,745</u>
Liabilities:	
Other Payables	<u>3,745</u>
Unrestricted Net Assets	<u>-</u>
Net Assets	<u><u>-</u></u>

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Le Mars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Le Mars, Merrill and Brunsville and a large part of the agricultural community in Plymouth County and is financially dependent on property taxes of the area and state aid payments for over 80% of its receipts. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Le Mars 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.

In January 1992 the District established the Le Mars Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Le Mars Community School District as a component unit for the year ended June 30, 2004. The Foundation has elected a December 31 fiscal year end and, therefore, the activity of the Foundation included in these financial statements is for the fiscal year ended December 31, 2003.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments*. Certain significant changes in the statement include the following:

- a. A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and result of operations.
- b. Financial statements prepared using full accrual accounting for all the District's activities.
- c. A change in the fund financial statements to focus on the major funds of the District.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Also approved by GASB was Statement No. 38, *Certain Financial Statement Note Disclosures*.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

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

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, and debt service funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The various funds reported in the financial statements are grouped into fund types as follows:

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following are the District's governmental funds.

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trusts, or for major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes. The funds included in this category and their purpose are as follows:

Management Fund – Accounts for a levy of forty-nine cents per thousand dollars of assessed valuation in the district for insurance premiums and unemployment compensation insurance claims.

Physical Plant and Equipment Levy – Accounts for a regular levy of thirty-three cents per thousand dollars of assessed valuation in the district as well as an additional special voted property tax levy of one dollar per thousand dollars of assessed valuation in the district for use in purchase of equipment and repairing and improving schoolhouse buildings and grounds.

Student Activity Fund – Accounts for student clubs and other activities not necessary to regular instruction services that are financed partly or entirely by admissions and student fund-raising activities.

District Foundation Fund – The LeMars Community School District Foundation represents a not-for-profit foundation that is a component unit of the District. The money raised by the foundation is exclusively for charitable, scientific, and educational purposes of the District.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Enterprise Fund – The Enterprise Fund is used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The fund included in this category and its purpose is as follows:

School Nutrition Fund – Accounts for the food service operations of the District.

FIDUCIARY FUND TYPE

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust funds that are accounted for in essentially the same manner as Governmental Funds. The following is the District's fiduciary fund:

Agency Fund - The Flex account is the District's cafeteria plan. Employees of the District deposit monies into this fund, which are held by the District until they are disbursed back to the depositor.

D. Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All governmental fund types and the expendable trust fund and the agency fund use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property tax as available if it is collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Because of their flow of current financial resources measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Those revenues susceptible to accrual are property taxes, interest revenue, and state foundation aid. Revenue from federal and state grants and similar programs are recognized when a District has done everything necessary to establish its right to the revenue. Usually this is at the time an expenditure has been incurred for an authorized purpose.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Propriety Fund type-operating statements present increases (e.g. revenue) and decreases (e.g. expenses) in net total assets. In reporting the financial activity of its proprietary funds, 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 fund types utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. Budgetary Accounting

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 expendable trust funds 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.

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

There were no amendments made during the fiscal year ending June 30, 2004. The original budget by functional area was as follows:

	<u>Original & Final Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance Favorable</u>
Instruction	\$ 9,865,869	\$ 9,705,737	\$ 160,132
Student Support Services	5,612,466	5,300,353	312,113
Non-Instructional	105,870	96,121	9,749
Other Expenditures	<u>1,596,078</u>	<u>1,510,538</u>	<u>85,540</u>
Total	<u>\$ 17,180,283</u>	<u>\$ 16,612,749</u>	<u>\$ 567,534</u>

A comparison of cash basis revenues, expenditures or expenses and changes in balance with the cash basis budget, which is legally controlled by functional areas, not fund type is presented as required supplemental information following the notes. Operations and ending fund balances on the cash and modified accrual or accrual basis have been reconciled as follows:

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Governmental Fund Types		
	General		Modified Accrual Basis
	Cash Basis	Accrual Adjustments	
Revenues	\$ 13,931,632	\$ (37,447)	\$ 13,894,185
Expenditures	14,116,009	(10,551)	14,105,458
Net	(184,377)	(26,896)	(211,273)
Other Financing Sources (Uses)	82,588	-	82,588
Beginning Fund Balance	4,328,179	(1,396,454)	2,931,725
Ending Fund Balance	\$ 4,226,390	\$ (1,423,350)	\$ 2,803,040

	Governmental Fund Types		
	Property, Plant, and Equipment		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 727,402	\$ (5,868)	\$ 721,534
Expenditures	306,127	225,513	531,640
Net	421,275	(231,381)	189,894
Other Financing Sources (Uses)	(434,388)	-	(434,388)
Beginning Fund Balance	428,210	35,562	463,772
Ending Fund Balance	\$ 415,097	\$ (195,819)	\$ 219,278

	Governmental Fund Types		
	Management Levy Fund		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 263,227	\$ 348	\$ 263,575
Expenditures	264,816	-	264,816
Net	(1,589)	348	(1,241)
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	(28,474)	2,083	(26,391)
Ending Fund Balance	\$ (30,063)	\$ 2,431	\$ (27,632)

	Governmental Fund Types		
	Non-Major Governmental Fund		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 638,776	-	\$ 638,776
Expenditures	488,992	-	488,992
Net	149,784	-	149,784
Other Financing Sources (Uses)	(163,406)	-	(163,406)
Beginning Fund Balance	183,525	-	183,525
Ending Fund Balance	\$ 169,903	-	\$ 169,903

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Governmental Fund Types		
	Debt Service		Modified Accrual Basis
	Cash Basis	Accrual Adjustments	
Revenues	\$ 420,525	\$ 232	\$ 420,757
Expenditures	852,682	(1,724)	850,958
Net	(432,157)	1,956	(430,201)
Other Financing Sources (Uses)	434,388	-	434,388
Beginning Fund Balance	7,590	1,579	9,169
Ending Fund Balance	\$ 9,821	\$ 3,535	\$ 13,356

	Governmental Fund Types		
	Total		Modified Accrual Basis
	Cash Basis	Accrual Adjustments	
Revenues	\$ 15,981,562	\$ (42,734)	\$ 15,938,828
Expenditures	16,028,626	213,239	16,241,865
Net	(47,064)	(255,973)	(303,037)
Other Financing Sources (Uses)	(80,818)	-	(80,818)
Beginning Fund Balance	4,919,030	1,357,230	3,561,800
Ending Fund Balance	\$ 4,791,148	\$ 1,613,203	\$ 3,177,945

	Proprietary Fund Types		
	School Lunch Fund		Modified Accrual Basis
	Cash Basis	Accrual Adjustments	
Revenues	\$ 484,404	\$ 20,314	\$ 504,718
Expenditures	584,123	43,299	627,422
Net	(99,719)	(22,985)	(122,704)
Other Financing Sources (Uses)	80,818	-	80,818
Beginning Fund Balance	56,189	18,871	75,060
Ending Fund Balance	\$ 37,288	\$ (4,114)	\$ 33,174

The following accounting policies are followed in preparing the financial statements:

Cash and Temporary Cash Investments – The cash balances of most District funds are pooled and invested. For purposes of the statement of cash flows, the proprietary fund type considers all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents, are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2004 included certificates of deposits of \$75,000 with original maturity dates longer than three months.

Interfund Activity – The only interfund balances outstanding at year-end were between the General Fund and the Management Fund. The purpose of this transaction was to eliminate the negative cash balance in the Management Fund. The effect of this activity has been eliminated from the government-wide financial statements.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Local Tax Receivable – Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

Inventories – Inventory items are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities.

Property and Equipment – Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District's capitalization threshold is \$1,000.00. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and structures	20- 50 years
Machinery and equipment	5- 20 years

Proprietary Fund – Proprietary fund type property and equipment is accounted for at historical costs or estimated historical costs where historical cost is not available. Contributed fixed assets are recorded at estimated fair market value at the date received.

Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives for machinery and equipment is 12 years.

Accrued Payroll and Related Expenditures – 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 collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable as well as delinquent property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Compensated Absences – Vested or accumulated vacation leave including related employee benefits that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Encumbrances – The District does not utilize an encumbrance system.

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.

NOTE 2 – DEPOSITS AND INVESTMENTS

The School District's deposits at June 30, 2004 were entirely covered by Federal Depository Insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The School 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; and certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2004.

At June 30, 2004 the carrying amount of the School District's deposits were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
All Fund Types	<u>\$ 4,893,107</u>	<u>\$ 5,243,939</u>
Investments Not Subject to Risk Categorization:		
Investment in Main Street Income and Growth Fund (Recorded at Fair Value determined by quoted market price)		<u>Fair Value</u> <u>\$ 31,810</u>
New York Life Insurance Policy		<u>Policy Cash Value</u> <u>\$ 5,220</u>

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 3 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of the media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$657,856 for the year ended June 30, 2004, and is recorded in the General Fund.

NOTE 4 – CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 393,275	-	-	\$ 393,275
Construction in Progress	-	\$ 344,817	-	344,817
Total capital assets not being depreciated	393,275	344,817	-	738,092
Capital assets being depreciated:				
Buildings	10,012,967	15,209	-	10,208,176
Vehicles	1,276,128	56,312	\$ (41,308)	1,291,132
Furniture and equipment	2,471,019	239,112	(87,833)	2,622,298
Total capital assets being depreciated	13,760,114	310,633	(129,141)	13,941,606
Less Accumulated Depreciation for:				
Buildings	4,394,820	196,490	-	4,591,310
Vehicles	820,128	106,822	41,308	885,642
Furniture and equipment	1,721,825	201,018	83,486	1,839,357
Total Accumulated Depreciation	6,936,773	504,330	124,794	7,316,309
Total capital assets being depreciated, net	6,823,341	(193,967)	(4,347)	6,625,297
Governmental activities capital assets, net	\$ 7,216,616	\$ 151,120	\$ (4,347)	\$ 7,363,389

Construction in progress at June 30, 2004, for the governmental activities consisted of costs associated with the middle school classroom re-modeling project.

The July 1, 2003 accumulated depreciation balance has been changed from what was reported in the June 30, 2003 financial statements. This change was made to reflect the prior period adjustment, which is explained in more detail in Note 12.

Depreciation Expense was charged to governmental activities as follows:

Instruction	\$314,252
Educational Media	55,854
Co-Curricular Instruction	27,401
Transportation	106,823
Total Depreciation Expenses – Governmental Activities	<u>\$504,330</u>

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 4 – CHANGES IN GENERAL FIXED ASSETS (CONTINUED)

A summary of the School Nutrition enterprise fund property, plant, and equipment at June 30, 2004 is as follows:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004
Equipment	\$ 38,184	-	-	\$ 38,184
Accumulated Depreciation	(32,259)	\$ 1,574	-	(33,833)
Business-Type Activities Capital Assets, Net	\$ 5,925	\$ 1,574	-	\$ 4,351

The total of \$1,574 of business-type activities depreciation was charged to the food service operation's function.

NOTE 5 – RETIREMENT SYSTEM

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 that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$561,655, \$539,923, and \$520,276 respectively, equal to the required contributions for each year.

NOTE 6 – EMPLOYEE BENEFITS

School District employees accumulate vacation and also accumulate sick leave hours for subsequent use only and the sick leave benefits are not paid to the employees in the form of additional compensation upon termination, retirement or death. Sick leave is not reflected as an accrued liability since it is not vested upon termination and the measurable amount of probable use cannot be accurately determined.

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS

Certified employees retiring with at least 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. The benefits are funded on a pay as you go basis. The district paid \$104,028 in benefits during the year ended June 30, 2004. There are currently 22 participants receiving benefits.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 8 – GENERAL OBLIGATION BONDED DEBT

The following is a summary of bond transactions of the District for the year ended June 30, 2004:

	General Obligation
Bonds Payable July 1, 2003	\$ 2,230,000
Bonds Issued	-
Bonds Redeemed	(755,000)
Bonds Payable June 30, 2004	\$ 1,475,000

Details of the above bonds payable at June 30, 2004 are as follows:

	Date Of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2004
General Obligation Bonds	1997	4.3 – 4.65%	6-1-05	\$25,000-400,000	\$2,200,000	\$ 405,000
Go Capital Loan Note	2001	3.4 – 4.65%	6-1-07	\$290,000-400,000	\$1,750,000	1,070,000
						\$ 1,475,000

The Annual Requirements to Amortize all Debt Outstanding as of June 30, 2004 are as follows:

Fiscal Year	Principal	Interest
2005	\$ 785,000	\$ 64,300
2006	400,000	30,686
2007	290,000	13,486
	\$ 1,475,000	\$ 108,472

\$13,356 is available in the Debt Service Fund to service the General Obligation Bonds.

NOTE 9 – DEFICIT FUND BALANCE

As of June 30, 2004, the following fund had a deficit fund balance in the amount shown:

Special Revenue:	
Management	<u>\$ 27,632</u>

The deficit will be funded through future property tax revenue.

NOTE 10 – RISK FINANCING

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year ended June 30, 2004 the District has elected to purchase commercial insurance to cover against the risk of loss. There were no settlements that exceeded insurance coverage during the past three years nor any significant reductions in coverage.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 11 – CONSTRUCTION COMMITMENTS

The District entered into a construction contract totaling \$711,770 for the middle school classroom remodeling project. At June 30, 2004, approximately \$293,300 had been expended on the project, leaving a remaining commitment of \$418,470. The remaining contract amount will be paid as work on the project progresses.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

It was discovered that in the implementation of GASB No. 34 and the initial depreciation of governmental assets, the depreciation schedule contained a calculation error, which went undetected and thus understated accumulated depreciation and overstated ending net assets at June 30, 2003. This error was detected in the current year, the effect of the correction is a change in beginning net assets of \$258,309.

NOTE 13 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	PPEL	\$ 434,388
School Nutrition Fund	General	80,818
General	Student Activity	163,406
Total		<u>\$ 678,612</u>

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

REQUIRED SUPPLEMENTAL INFORMATION

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LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Cash Basis)-
General Fund and Major Special Revenue Funds
For the Year Ended June 30, 2004

	General Fund		
	Original and Final Budget	Total Actual	Variance with budget Favorable (Unfavorable)
Receipts:			
Local Sources			
Local Taxes	\$ 4,461,418	\$ 4,487,441	\$ 26,023
Tuition	341,000	356,298	15,298
Other	249,500	134,901	(114,599)
State Sources	8,812,033	8,535,720	(276,313)
Federal Sources	361,000	417,272	56,272
Total Revenues	<u>14,224,951</u>	<u>13,931,632</u>	<u>(293,319)</u>
Expenditures:			
Instruction	9,827,869	9,660,579	167,290
Support Services	4,099,466	3,797,574	301,892
Non-Instructional Programs	870	-	870
Other Expenditures	705,120	657,856	47,264
Total Expenditures	<u>14,633,325</u>	<u>14,116,009</u>	<u>\$ 517,316</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(408,374)</u>	<u>(184,377)</u>	
Other Financing Sources (Uses)			
Operating Transfers From Other Funds	-	82,588	
Operating Transfers To Other Funds	-	-	
Total Other Financing Sources (Uses)	<u>-</u>	<u>82,588</u>	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>(408,374)</u>	<u>(101,789)</u>	
Fund Balance Beginning of Year	<u>4,081,933</u>	<u>4,328,179</u>	
Fund Balance End of Year	<u>\$ 3,673,559</u>	<u>\$ 4,226,390</u>	

See Accompanying Notes to Financial Statements

Management Levy			Property, Plant, and Equipment		
Original and Final Budget	Total Actual	Variance with budget Favorable (Unfavorable)	Original and Final Budget	Total Actual	Variance with budget Favorable (Unfavorable)
\$ 262,000	\$ 263,227	\$ 1,227	\$ 707,549	\$ 708,744	
-	-	-	5,000	18,658	\$ 13,658
-	-	-	-	-	-
-	-	-	-	-	-
<u>262,000</u>	<u>263,227</u>	<u>1,227</u>	<u>712,549</u>	<u>727,402</u>	<u>13,658</u>
38,000	45,158	(7,158)	-	-	-
95,000	123,537	(28,537)	238,000	306,127	(68,127)
105,000	96,121	8,879	-	-	-
-	-	-	-	-	-
<u>238,000</u>	<u>264,816</u>	<u>\$ (26,816)</u>	<u>238,000</u>	<u>306,127</u>	<u>\$ (68,127)</u>
24,000	(1,589)		474,549	421,275	
-	-		-	-	
-	-		(434,388)	(434,388)	
-	-		(434,388)	(434,388)	
24,000	(1,589)		40,161	(13,113)	
(27,272)	(28,474)		419,104	428,210	
<u>\$ (3,272)</u>	<u>\$ (30,063)</u>		<u>\$ 459,265</u>	<u>\$ 415,097</u>	

See Accompanying Notes to Financial Statements

SUPPLEMENTAL INFORMATION

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LE MARS COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2004

Schedule 1

Revenues:	
Local Sources:	
Local Tax:	
Property Tax	\$ 4,473,613
Mobile Home Tax	14,618
	4,488,231
Other Local Sources:	
Interest on Investments	73,458
Tuition from Other Districts	303,384
Rent	11,752
Miscellaneous	26,524
	415,118
	4,903,349
Other Fund Revenues	
Refunds and Miscellaneous	54,063
	4,957,412
State Sources:	
Foundation Aid-District's Share	7,244,306
Teachers Compensation Allocation	161,937
Educational Excellence Program:	
Phase I	22,883
Phase II	182,275
Non-Public Transportation Aid	76,719
Vocational Education Aid	12,939
Iowa Early Intervention Block Grant	124,338
AEA Flow-Through	657,856
Other State Aid	47,962
	8,531,215
Federal Sources:	
Title I Grants to Local Educational Agencies	177,042
Teacher Quality Program	71,135
Safe and Drug-Free Schools and Communities-States Grants	9,959
Innovative Education Program Strategies (Title VI Program)	13,513
Vocational Education - Basic Grants to States	24,776
Special Education - Grants to States	95,675
Other	13,458
	405,558
Total Revenue	\$ 13,894,185

Continued

LE MARS COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2004

Schedule 1 (Continued)

Expenditures:			
Instruction:			
Regular Program Instruction:			
Salaries	\$		5,368,832
Employee Benefits			1,645,067
Contracted Services			(9,746)
Travel			7,688
Postage			8,250
Open Enrollment			346,187
General Supplies			36,542
Instructional Supplies			40,719
Textbooks			80,080
Equipment-Additional			12,307
Equipment-Replacement			11,986
Workbooks			20,336
Repairs- Band Instruments			1,063
			7,569,311
Vocational Program Instruction:			
Contract Services			383
General Supplies			7,282
Instructional Supplies			8,425
Technology Supplies			46,482
Travel			590
Equipment-Replacement			2,599
			65,761
Special Program Instruction:			
Salaries			1,196,073
Employee Benefits			354,746
Contracted Services			6,368
Travel			224
General Supplies			12,642
Instructional Supplies			8,275
Supplemental Textbooks			1,883
Equipment-Additional			27,580
Tuition			87,534
			1,695,325
Cocurricular Program Instruction and Sports:			
Salaries			237,730
Employee Benefits			62,050
Contract Services			5,010
Instructional Supplies			1,285
Travel			7,237
			313,312
Adult/Continuing Education Instruction:			
Salaries			1,925
Employee Benefits			541
General Supplies			1,946
			4,412
Total Instruction	\$		9,648,121
			Continued

LE MARS COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2004

Schedule 1 (Continued)

Student Support Services:

Career Guidance and Testing:

Salaries	\$	342,617
Employee Benefits		94,763
Contract Services		8,360
Travel		156
General Supplies		16,783
Instructional Supplies		3,010
		465,689

Health Services:

Salaries		48,053
Employee Benefits		21,591
Travel		526
Contractual Services		2,508
General Supplies		4,360
		77,038

Improvement of Instruction Services:

Salaries		86,410
Employee Benefits		11,522
Travel		577
Open Enrollment		34
Contractual Services		2,800
General Supplies		1,660
Instructional Supplies		2,347
		105,350

Educational Media Services:

Salaries		244,574
Employee Benefits		61,794
General Supplies		4,121
Instructional Supplies		695
General Library Books		11,508
Reference Books		681
Periodicals		5,330
Audio-Visual		882
Repair Parts		7,922
Software		2,796
Equipment-Additional		996
		341,299

Operation and Maintenance Services:

Salaries		456,845
Employee Benefits		147,929
Repairs-Equipment		4,173
Repairs-Buildings and Grounds	\$	34,822
		Continued

LE MARS COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2004

Schedule 1 (Continued)

Student Support Services (continued):

Operation and Maintenance Services (Continued):

Telephone	\$	11,085
Utilities		256,034
Paper Supplies		6,359
Preservatives		2,601
Travel		799
Cleaning and Maintenance Supplies		15,237
Electrical Supplies		5,267
Equipment-Additional		1,735
Equipment-Replacement		296
		943,182

Student Transportation:

Salaries		334,789
Employee Benefits		69,267
Purchased Services		16,446
Fuel		54,487
Lubricants		2,557
Tires and Tubes		5,631
Repairs and Maintenance		16,174
Parent Reimbursement		6
General Supplies		1,377
Equipment Replacement		660
		501,394

Board of Education Services:

Salaries		5,500
Employee Benefits		737
Negotiation and Legal Services		1,703
Auditing and Accounting Services		11,298
Election Expense		5,432
Travel		7,327
Publication Expense		7,005
General Supplies		13,633
		52,635

Business Administration Services:

Salaries		20,210
Employee Benefits		10,006
Equipment Rental		23,882
Paper		3,760
Equipment Replacement		679
General Supplies		2,665
		\$ 61,202

Continued

LE MARS COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2004

Schedule 1 (Continued)

Student Support Services (continued):	
Executive Administration Services:	
Salaries- Superintendent and Admin. Assistants	\$ 185,042
Salaries- Secretarial	87,952
Employee Benefits	98,826
Travel	1,454
General Supplies	13,188
Professional Books and Dues	4,490
Equipment-Additional	780
	391,732
Building Administration Services:	
Salaries-Directors	57,500
Salaries-Principals	410,381
Salaries-Secretarial	155,019
Employee Benefits	232,524
Travel	3,653
General Supplies	883
	859,960
Total Student Support Services	3,799,481
 Other Expenditures:	
AEA Flow-Through	657,856
Total Expenditures	14,105,458
(Deficiency) of Revenues Over Expenditures	(211,273)
 Other Financing Sources:	
Operating Transfers From Other Fund	82,588
(Deficiency) of Revenues and other Sources Over Expenditures	(128,685)
Balance Beginning of Year	2,931,725
Balance End of Year	\$ 2,803,040

LEMARS COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2004

Schedule 2

	Special Revenue Funds		
	Activity Fund	LCSD Foundation	Total
Assets			
Cash and Pooled Investments	\$ 169,903	\$ 64,671	\$ 234,574
Investment (Restricted)		37,030	37,030
Total Assets	169,903	101,701	271,604
Liabilities and Equity			
Liabilities:			
Total Liabilities	-	-	-
Fund Balances:			
Reserved for Scholarships		101,701	101,701
Unreserved for:			
Special Revenue Fund	169,903		169,903
Total Fund Balances	169,903	101,701	271,604
Total Liabilities and Equity	\$ 169,903	\$ 101,701	\$ 271,604

LEMARS COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2004

Schedule 3

	Special Revenue Funds		
	Activity Fund	LCSD Foundation	Total
Revenue:			
Local Sources	\$ 638,776	\$ 47,329	\$ 686,105
Total Revenue	<u>638,776</u>	<u>47,329</u>	<u>686,105</u>
Expenditures:			
Instruction:			
Other Student Support	488,992	33,546	522,538
Total Expenditures	<u>488,992</u>	<u>33,546</u>	<u>522,538</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>149,784</u>	<u>13,783</u>	<u>163,567</u>
Other Financing Sources (Uses):			
Operating Transfers Out	(163,406)		(163,406)
Total Other Financing Sources (Uses)	<u>(163,406)</u>	<u>-</u>	<u>(163,406)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(13,622)</u>	<u>13,783</u>	<u>161</u>
Fund Balances - Beginning of Year	<u>183,525</u>	<u>87,918</u>	<u>271,443</u>
Fund Balances - End of Year	<u>\$ 169,903</u>	<u>\$ 101,701</u>	<u>\$ 271,604</u>

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Individual Student Activity Account Activity
For the Year Ended June 30, 2004

	Schedule 4				
	Balance June 30, 2003	Revenues	Expenditures	Operating Transfers	Balance June 30, 2004
Senior High					
Bark	\$ 20,988	\$ 13,859	\$ 19,692		\$ 15,155
F.F.A.	7,134	23,064	19,493		10,705
Miscellaneous Music	(7,485)	9,280	3,096		(1,301)
F.C.A.	32	730	432		330
Debate	(243)	8,013	7,612		158
Library	1,227	1,712	1,651		1,288
Vocal Music	4,012	13,753	10,764		7,001
Instrumental Music	(741)	6,326	5,780		(195)
Music Orchestra	4,135	6,247	6,204		4,178
National Honor Society	-	644	644		-
Dance Team	1,489	4,713	1,768		4,434
Student Council	12,933	61,219	61,117		13,035
Thespians	1,943	1,166	3,095		14
German Club	2,386	-	-		2,386
Spanish Club	6,106	2,756	2,994		5,868
Dramatics	183	2,444	1,321		1,306
Trades and Industries	13,666	13,767	11,928		15,505
Miscellaneous Athletics	20,817	134,645	144,290		11,172
Clearing	768	69,672	42,705	\$ (25,438)	2,297
Cheerleaders	1,706	5,655	7,343		18
Senior Class	1,621	4,705	4,792		1,534
Junior Class	-	8,568	8,568		-
Sophomore Class	-	27	27		-
Freshman Class	-	39	39		-
Miscellaneous	19,601	(15,324)	(804)		5,081
Technology Club	(203)	879	525		151
Home Economics Club	752	-	-		752
Math Club	749	1,025	764		1,010
Biology	8	2,048	1,914		142
Make-A-Wish Club	343	9,296	8,637		1,002
	<u>\$ 113,927</u>	<u>\$ 390,928</u>	<u>\$ 376,391</u>	<u>\$ (25,438)</u>	<u>\$ 103,026</u>

(Continued)

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Individual Student Activity Account Activity - (Continued)
For the Year Ended June 30, 2004

	Schedule 4 (Continued)				
	Balance June 30, 2003	Revenues	Expenditures	Operating Transfers	Balance June 30, 2004
Middle School					
Book Rent	-	\$ 13,455		\$ (13,455)	-
Miscellaneous	\$ 6,313	3,048	\$ 665		\$ 8,696
Student Council	13,642	10,794	10,743		13,693
Insurance	-	90	90		-
Library	249	6,675	6,216		708
Clearing	631	8,153	8,250		534
High School Principal	-	3,891	3,891		-
Band	5,623	10,498	9,943		6,178
Industrial Arts	-	3,416	-	(3,416)	-
Instrument Rental	6,784	(1,980)	322		4,482
Other	3,355	6,831	7,074		3,112
Bus	-	2,012	-	(2,012)	-
Art	3,087	1,508	1,373		3,222
	<u>39,684</u>	<u>68,391</u>	<u>48,567</u>	<u>(18,883)</u>	<u>40,625</u>
Merrill Elementary School	<u>1,031</u>	<u>33,112</u>	<u>6,715</u>	<u>(27,147)</u>	<u>281</u>
Central Elementary School	<u>28,883</u>	<u>146,345</u>	<u>57,319</u>	<u>(91,938)</u>	<u>25,971</u>
Total for Activity Funds	<u>\$ 183,525</u>	<u>\$ 638,776</u>	<u>\$ 488,992</u>	<u>\$ (163,406)</u>	<u>\$ 169,903</u>

LE MARS COMMUNITY SCHOOL DISTRICT
Comparison of Taxes and Intergovernmental Revenues and Receipts
For the Years Ended June 30, 2004, 2003, 2002, 2001

Schedule 5

	Modified Accrual Basis of Accounting			
	2004	2003	2002	2001
Local Sources:				
Property Taxes	\$ 5,859,355	\$ 5,584,536	\$ 4,892,144	\$ 4,667,842
Mobile Home Taxes	18,680	20,158	19,307	19,245
	<u>5,878,035</u>	<u>5,604,694</u>	<u>4,911,451</u>	<u>4,687,087</u>
State Sources:				
State Foundation Aid	7,244,306	7,112,992	6,544,580	6,484,331
School Improvement and Technology	-	9,330	65,452	153,404
Teachers Compensation Allocation	161,937	137,430	131,446	-
State Lunch Reimbursement	10,877	10,811	9,326	9,411
Educational Excellence Program:				
Phase I	22,883	23,094	23,054	23,054
Phase II	182,275	184,118	181,998	179,532
Phase III	-	45,955	103,984	99,929
Non-Public Transportation Aid	76,719	82,917	93,442	113,052
Vocational Education Aid	12,939	14,357	13,439	16,606
Iowa Early Intervention Block Grant	124,338	122,376	124,252	73,472
AEA Flow-Through	657,856	688,078	675,547	678,360
Other State Aid	47,962	43,833	34,224	51,350
	<u>8,542,092</u>	<u>8,475,291</u>	<u>8,000,744</u>	<u>7,882,501</u>
Federal Sources:				
Title I	177,042	177,374	151,229	146,102
Class Size Reduction	-	-	42,031	31,621
Safe and Drug Free Schools and Communities	9,959	11,937	9,276	9,608
Innovative Education Program Strategies (Title VI Program)	13,513	13,549	13,950	13,022
Special Education - Grants to States	95,675	63,013	32,036	-
National School Lunch Fund	190,225	182,703	148,203	139,071
Other Federal Aid	109,369	108,713	23,568	22,772
	<u>595,783</u>	<u>557,289</u>	<u>420,293</u>	<u>362,196</u>
Total	<u>\$ 15,015,910</u>	<u>\$ 14,637,274</u>	<u>\$ 13,332,488</u>	<u>\$ 12,931,784</u>

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Schedule 6

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY04	\$ 32,504
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY04	28,630
National School Lunch Program	10.555	FY04	164,315
			<u>192,945</u> *
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY04	176,992 *
Special Education - Grants to States	84.027	FY04	95,675
Perkins -Basic Grants to States	84.048	FY04	24,776
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY04	9,959
Innovative Education Program Strategies (Title VI Program)	84.298	FY04	13,513
Title II Improving Teacher Quality State Grants	84.367	FY04	71,135
Title VIA- Grants for State Assessments & Related Activities	84.369	FY04	<u>13,458</u>
Total			<u>\$ 630,957</u>

* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Le Mars Community School District and is presented in conformity with 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 Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Schedule 7

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 non-compliance, 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 84.010 – Title I Grants to Local Educational Agencies
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Le Mars Community School District did not qualify as a low-risk auditee.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Schedule 7 (Continued)

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

REPORTABLE CONDITIONS:

II-A-04 Financial Accounting – Segregation of Duties

- A. Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Schedule 7 (Continued)

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

See Part V: Summary Schedule of Prior Audit Findings

REPORTABLE CONDITIONS:

III-A-04 Financial Accounting – Segregation of Duties

Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Schedule 7 (Continued)

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-04 Official Depositories – A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- IV-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 did not exceed amounts budgeted.
- IV-C-04 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-04 Business Transactions – There were no business transactions between the District and District officials or employees during the year ended June 30, 2004.
- IV-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-04 Deficit Balances – The management fund as well as several student activity accounts had deficit balances at June 30, 2004.
Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.
Response - The District is continuing to investigate alternatives to eliminate deficits in the management fund and the student activity accounts at the end of the fiscal year.
Conclusion – Response accepted.

LE MARS COMMUNITY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2004

Schedule 7 (Continued)

Part V: Findings – Year Ended June 30, 2003

Department of Agriculture

III-1-03: National School Free/Reduced Lunch Program

Condition: This finding was an instance of non-compliance stating there were errors in calculating eligibility for the free-reduced lunch status, resulting in non-compliance of \$2,014.

Recommendation: The auditor recommended that all employees involved in computing eligibility should be properly trained and a review of the completed applications be conducted prior to students being awarded free/reduced status. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status: The recommendation was adopted immediately for the 2003-2004 school year. No similar findings were noted in the 2004 audit.

II-A-03: Financial Accounting – Segregation of Duties

Condition: The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

Recommendation: With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Current Status: This finding still exists at June 30, 2004 (See Comment II-A-04).

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Le Mars Community School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the LE MARS COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2004, which collectively comprise the Le Mars Community School District's basic financial statements, and have issued our report thereon dated August 20, 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 the Le Mars Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance 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 Le Mars Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be 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 financial reporting that, in our judgment, could adversely affect Le Mars Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-04.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in

the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe II-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Le Mars Community School District and other parties to whom the Le Mars Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
August 20, 2004

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the
Le Mars Community School District:

Compliance:

We have audited the compliance of LE MARS COMMUNITY SCHOOL DISTRICT with the types of compliance requirements described in the *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. Le Mars 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 Le Mars Community School District's management. Our responsibility is to express an opinion on Le Mars 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 Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Le Mars 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 Le Mars Community School District's compliance with those requirements.

In our opinion, Le Mars 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 the Le Mars 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 Le Mars 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 certain matter involving the internal control over compliance and its operation that we consider to be 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 judgment, could adversely affect the Le Mars Community School 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 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 requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal 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 consider item III-A-04 to be a material weakness.

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

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
August 20, 2004

LeMars Community Schools

Dr. Todd A. Wendt
Superintendent

Kent Schwiesow
Assistant Superintendent

921 Third Avenue SouthWest, LeMars, Iowa 51031-2299
Phone: (712) 546-4155 Fax: (712) 546-4157

Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2004

Department of Education:

Le Mars Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2004.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2004.

The finding from the June 30, 2004 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule. Part I of the schedule, Summary of the Independent Auditor's Results, does include a finding and is not addressed.

The audit disclosed a reportable condition as identified in Part III of the accompanying Schedule of Findings and Questioned Costs.

REPORTABLE CONDITIONS:

III-A-04 – Financial Accounting – Segregation of Duties – National School Lunch Program CFDA #10.553 and 10.555 – Title 1 Grants to Local Educational Agencies CFDA #84.010

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

If the Department of Education has questions regarding this plan, please call Todd Wendt at 712-546-4155.

Sincerely yours,

LE MARS COMMUNITY SCHOOL DISTRICT



Dr. Todd Wendt, Superintendent