

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

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New Hampton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Rick Holthaus	President	2003
Rich Goodwin	Vice President	2003
Clarence Kriener	Board Member	2004
David Utterback	Board Member	2005
George Feazell	Board Member	2004
Board of Education (After September 2003 Election)		
Rick Holthaus	President	2006
Rich Goodwin	Vice President	2006
Clarence Kriener	Board Member	2004
David Utterback	Board Member	2005
George Feazell	Board Member	2004
School Officials		
Robert Longmuir	Superintendent	2004
Janet Westendorf	District Secretary/Treasurer and Business Manager	2004
Judy O' Donohoe	Attorney	2004
Steve Weidner	Chief Negotiation/ Spokesperson	2004

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
New Hampton Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the New Hampton 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 District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 10 to the financial statements, during the year ended June 30, 2004, New Hampton Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated October 29, 2004 on our consideration of the New Hampton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of

laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise New Hampton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

October 29, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$8,458,094 in fiscal 2003 to \$8,424,533 in fiscal 2004, while General Fund expenditures increased from \$8,103,100 in fiscal 2003 to \$8,208,676 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$156,951 in fiscal 2003 to a balance of \$372,808 in fiscal 2004, a 137.53% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$18,754 in fiscal year 2003 to \$11,638 in fiscal year 2004.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

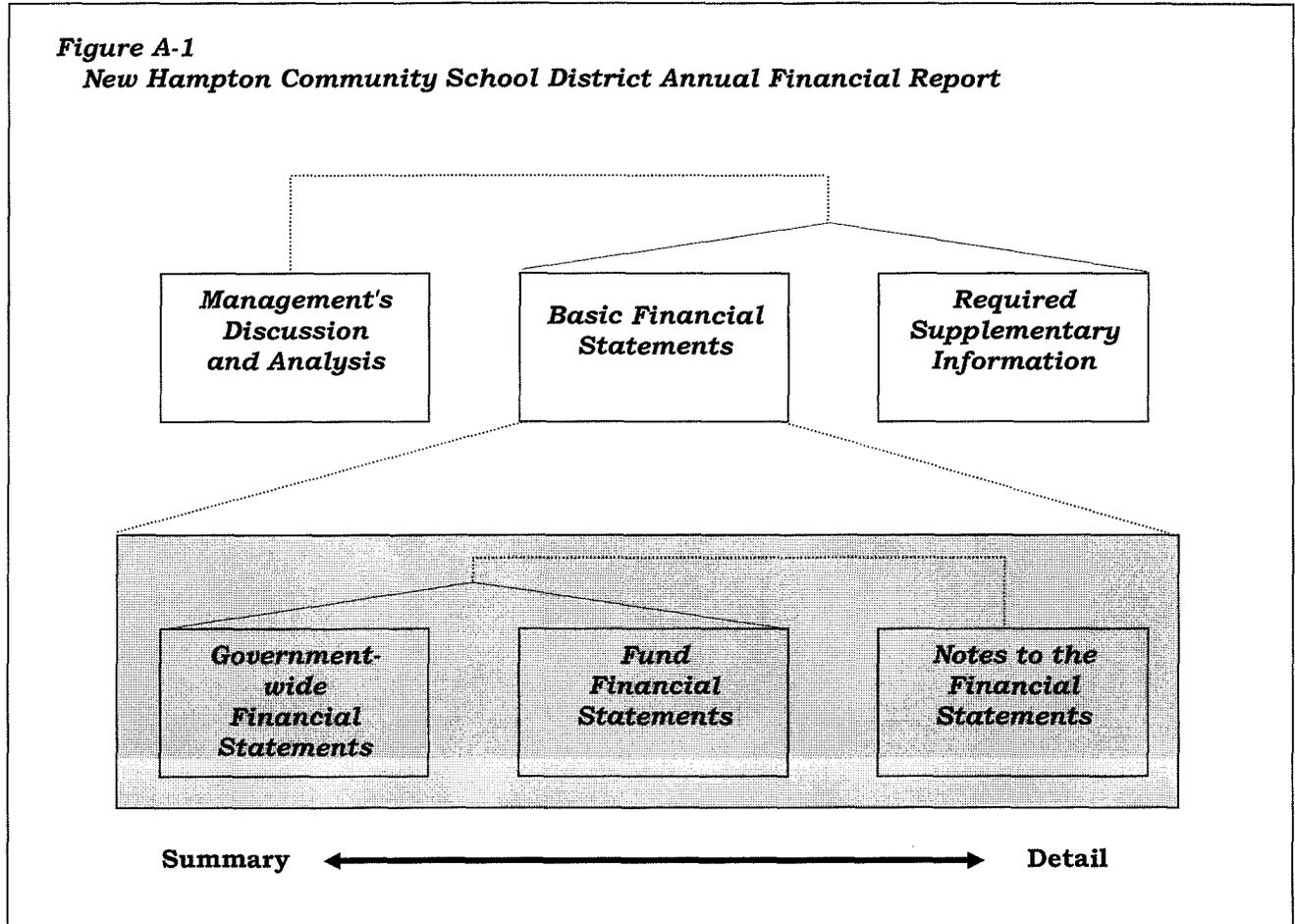


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 7,096,683	64,662	7,161,345
Capital assets	7,339,218	3,164	7,342,382
Total assets	<u>14,435,901</u>	<u>67,826</u>	<u>14,503,727</u>
Long-term obligations	3,061,731	0	3,061,731
Other liabilities	5,880,123	7,309	5,887,432
Total liabilities	<u>8,941,854</u>	<u>7,309</u>	<u>8,949,163</u>
Net assets:			
Invested in capital assets, net of related debt	4,629,653	3,164	4,632,817
Restricted	266,770	0	266,770
Unrestricted	597,624	57,353	654,977
Total net assets	<u>\$ 5,494,047</u>	<u>60,517</u>	<u>5,554,564</u>

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

Figure A-4
Changes of Net Assets

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Revenues:			
Program revenues:			
Charges for services	\$ 769,635	229,667	999,302
Operating grants and contributions and restricted interest	1,144,515	159,772	1,304,287
Capital grants and contributions and restricted interest	470,069	0	470,069
General revenues:			
Property tax	4,375,929	0	4,375,929
Local option sales and services tax	389,593	0	389,593
Unrestricted state grants	3,311,875	0	3,311,875
Other	45,638	201	45,839
Total revenues	10,507,254	389,640	10,896,894
Program expenses:			
Governmental activities:			
Instructional	6,115,100	0	6,115,100
Support services	2,468,478	0	2,468,478
Non-instructional programs	0	383,244	383,244
Other expenses	1,594,530	0	1,594,530
Total expenses	10,178,108	383,244	10,561,352

Property tax, local option sales and services tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 81% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,507,254 and expenses were \$10,178,108.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost	Net Cost
	of Services	of Services
Instruction	\$ 6,115,100	4,613,217
Support services	2,468,478	2,409,501
Other expenses	1,594,530	771,171
Totals	\$ 10,178,108	7,793,889

- The cost financed by users of the District's programs was \$769,635.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,614,584.
- The net cost of governmental activities was financed with \$4,375,929 in property tax, \$389,593 in local option sales and services tax, \$3,311,875 in state foundation aid and \$45,638 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$389,640 and expenses were \$383,244. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$979,759, below last year's ending fund balances of a \$1,513,107. However, the primary reason for the decrease in combined fund balances in fiscal 2004 is due to increased capital construction expenditures.

Governmental Fund Highlights

- The District's improving General Fund financial position from \$156,951 to \$372,808 is the product of many factors:
 - Reduction in state aid and decrease in tax levy during the year resulted in a decrease in revenues. The revenues were still greater than the expenditures.
 - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
- The Capital Projects Fund balance decreased from \$797,402 in fiscal 2003 to \$114,251 in fiscal 2004. The Capital Projects Fund balance decreased due to capital improvements which occurred during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$54,121 at June 30, 2003 to \$60,517 at June 30, 2004, representing an increase of 11.82%.

BUDGETARY HIGHLIGHTS

Over the course of the year, New Hampton Community School District amended its annual budget one time to reflect additional expenditures associated with the other expenditures.

The District's revenues were \$633,456 more than budgeted revenues, a variance of 6.19%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$7,342,382, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$407,463.

The original cost of the District's capital assets was \$13.5 million. Governmental funds account for \$13.4 million with the remainder of \$0.1 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$6,117,515 at June 30, 2004, compared to \$5,690,214 reported at June 30, 2003. This increase resulted from capitalization of capital construction that occurred during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Land	\$ 381,700	0	381,700
Buildings	6,117,515	0	6,117,515
Land improvements	226,658	0	226,658
Machinery and equipment	613,345	3,164	616,509
Total	\$ 7,339,218	3,164	7,342,382

Long-Term Debt

At June 30, 2004, the District had \$3,061,731 in general obligation and other long-term debt outstanding. This represents a decrease of 13.1% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$2,910,000 at June 30, 2004.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$151,731 at June 30, 2004.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General obligation bonds	\$ 2,910,000	3,420,000	-14.9%
Early retirement	151,731	102,055	48.7%
Totals	\$ 3,061,731	3,522,055	-13.1%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janet Westendorf, District Secretary/Treasurer and Business Manager, New Hampton Community School District, 710 West Main Street, New Hampton, Iowa, 50659.

BASIC FINANCIAL STATEMENTS

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 1,701,088	0	1,701,088
Other	811,340	39,764	851,104
Receivables:			
Property tax:			
Delinquent	73,227	0	73,227
Succeeding year	4,007,177	0	4,007,177
Income surtax	255,871	0	255,871
Accounts	10,112	0	10,112
Accrued ISCAP interest (Note 4)	3,637	0	3,637
Due from other governments	234,231	0	234,231
Inventories	0	24,898	24,898
Capital assets, net of accumulated depreciation (Note 5)	7,339,218	3,164	7,342,382
TOTAL ASSETS	14,435,901	67,826	14,503,727
LIABILITIES			
Accounts payable	139,916	953	140,869
ISCAP warrants payable (Note 4)	1,691,000	0	1,691,000
ISCAP accrued interest payable (Note 4)	5,515	0	5,515
ISCAP unamortized premium	17,445	0	17,445
Interest payable	19,070	0	19,070
Deferred revenue:			
Succeeding year property tax	4,007,177	0	4,007,177
Other	0	6,356	6,356
Long-term liabilities (Note 6):			
Portion due within one year:			
Bonds payable	535,000	0	535,000
Early retirement payable	24,793	0	24,793
Portion due after one year:			
Bonds payable	2,375,000	0	2,375,000
Early retirement payable	126,938	0	126,938
TOTAL LIABILITIES	8,941,854	7,309	8,949,163
NET ASSETS			
Investment in capital assets, net of related debt	4,629,653	3,164	4,632,817
Restricted for:			
Early intervention	138	0	138
Talented and gifted	7,821	0	7,821
Phase III	2,161	0	2,161
Physical plant and equipment levy	79,043	0	79,043
Other special revenue purposes	177,607	0	177,607
Unrestricted	597,624	57,353	654,977
TOTAL NET ASSETS	\$ 5,494,047	60,517	5,554,564

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,876,477	178,563	695,982	0
Special instruction	1,361,272	44,914	47,643	0
Other instruction	877,351	534,781	0	0
	<u>6,115,100</u>	<u>758,258</u>	<u>743,625</u>	<u>0</u>
Support services:				
Student services	234,671	0	0	0
Instructional staff services	280,984	0	0	0
Administration services	761,937	0	0	0
Operation and maintenance of plant services	640,430	0	0	0
Transportation services	550,456	11,377	47,600	0
	<u>2,468,478</u>	<u>11,377</u>	<u>47,600</u>	<u>0</u>
Other expenditures:				
Facilities acquisition	882,151	0	0	470,069
Long-term debt interest	131,084	0	0	0
AEA flowthrough	353,290	0	353,290	0
Depreciation (unallocated)*	228,005	0	0	0
	<u>1,594,530</u>	<u>0</u>	<u>353,290</u>	<u>470,069</u>
Total governmental activities	10,178,108	769,635	1,144,515	470,069
Business-Type activities:				
Non-instructional programs:				
Nutrition services	383,244	229,667	159,772	0
Total business-type activities	<u>383,244</u>	<u>229,667</u>	<u>159,772</u>	<u>0</u>
Total	<u>\$ 10,561,352</u>	<u>999,302</u>	<u>1,304,287</u>	<u>470,069</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
 Debt service
 Local option sales and services tax
 Unrestricted state grants
 Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year, as restated (Note 10)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,001,932)	0	(3,001,932)
(1,268,715)	0	(1,268,715)
(342,570)	0	(342,570)
(4,613,217)	0	(4,613,217)
(234,671)	0	(234,671)
(280,984)	0	(280,984)
(761,937)	0	(761,937)
(640,430)	0	(640,430)
(491,479)	0	(491,479)
(2,409,501)	0	(2,409,501)
(412,082)	0	(412,082)
(131,084)	0	(131,084)
0	0	0
(228,005)	0	(228,005)
(771,171)	0	(771,171)
(7,793,889)	0	(7,793,889)
0	6,195	6,195
0	6,195	6,195
(7,793,889)	6,195	(7,787,694)
\$ 3,820,267	0	3,820,267
107,563	0	107,563
448,099	0	448,099
389,593	0	389,593
3,311,875	0	3,311,875
45,638	201	45,839
8,123,035	201	8,123,236
329,146	6,396	335,542
5,164,901	54,121	5,219,022
\$ 5,494,047	60,517	5,554,564

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 1,701,088	0	0	1,701,088
Other	293,895	52,212	465,233	811,340
Receivables:				
Property tax				
Delinquent	40,620	0	32,607	73,227
Succeeding year	3,262,159	0	745,018	4,007,177
Income surtax	255,871	0	0	255,871
Accounts	10,112	0	0	10,112
Accrued ISCAP interest(Note 4)	3,637	0	0	3,637
Due from other governments	70,301	163,930	0	234,231
TOTAL ASSETS	\$ 5,637,683	216,142	1,242,858	7,096,683
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 32,885	101,891	5,140	139,916
ISCAP warrants payable(Note 4)	1,691,000	0	0	1,691,000
ISCAP accrued interest payable(Note 4)	5,515	0	0	5,515
ISCAP unamortized premium	17,445	0	0	17,445
Deferred revenue:				
Succeeding year property tax	3,262,159	0	745,018	4,007,177
Income surtax	255,871	0	0	255,871
Total liabilities	5,264,875	101,891	750,158	6,116,924
Fund balances:				
Reserved:				
Debt service	0	0	105,254	105,254
Early intervention	138	0	0	138
Talented and gifted	7,821	0	0	7,821
Phase III	2,161	0	0	2,161
Unreserved:				
Undesignated:				
General	362,688	0	0	362,688
Capital projects	0	114,251	0	114,251
Management levy	0	0	130,796	130,796
Physical plant and equipment levy	0	0	79,043	79,043
Other special revenue purposes	0	0	177,607	177,607
Total fund balances	372,808	114,251	492,700	979,759
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,637,683	216,142	1,242,858	7,096,683

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Total fund balances of governmental funds (page 16)	\$	979,759
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		7,339,218
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		255,871
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(19,070)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,061,731)</u>
Net assets of governmental activites (page 13)	\$	<u>5,494,047</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,626,703	389,593	744,230	4,760,526
Tuition	223,477	0	0	223,477
Other	118,553	74,721	398,522	591,796
Intermediate sources	4,234	0	0	4,234
State sources	3,999,902	0	590	4,000,492
Federal sources	451,664	275,000	195,069	921,733
Total revenues	<u>8,424,533</u>	<u>739,314</u>	<u>1,338,411</u>	<u>10,502,258</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	3,706,012	0	106,515	3,812,527
Special instruction	1,356,551	0	0	1,356,551
Other instruction	505,064	0	372,287	877,351
	<u>5,567,627</u>	<u>0</u>	<u>478,802</u>	<u>6,046,429</u>
Support services:				
Student services	241,523	0	0	241,523
Instructional staff services	280,984	0	0	280,984
Administration services	748,593	0	3,167	751,760
Operation and maintenance of plant services	548,887	0	88,794	637,681
Transportation services	467,772	0	0	467,772
	<u>2,287,759</u>	<u>0</u>	<u>91,961</u>	<u>2,379,720</u>
Other expenditures:				
Facilities acquisitions	0	1,202,098	409,712	1,611,810
Long-term debt:				
Principal	0	0	510,000	510,000
Interest and fiscal charges	0	0	134,357	134,357
AEA flowthrough	353,290	0	0	353,290
	<u>353,290</u>	<u>1,202,098</u>	<u>1,054,069</u>	<u>2,609,457</u>
Total expenditures	<u>8,208,676</u>	<u>1,202,098</u>	<u>1,624,832</u>	<u>11,035,606</u>
Excess (deficiency) of revenues over (under) expenditures	215,857	(462,784)	(286,421)	(533,348)
Other financing sources (uses):				
Transfers in	0	0	220,367	220,367
Transfers out	0	(220,367)	0	(220,367)
Total other financing sources (uses)	<u>0</u>	<u>(220,367)</u>	<u>220,367</u>	<u>0</u>
Net change in fund balances	215,857	(683,151)	(66,054)	(533,348)
Fund balance beginning of year	<u>156,951</u>	<u>797,402</u>	<u>558,754</u>	<u>1,513,107</u>
Fund balance end of year	<u>\$ 372,808</u>	<u>114,251</u>	<u>492,700</u>	<u>979,759</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2004

Net change in fund balances - total governmental funds (page 18) \$ (533,348)

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

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

Expenditures for capital assets	\$ 799,912	
Depreciation expense	<u>(406,011)</u>	393,901

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 4,996

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 510,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,273

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.
 Early Retirement (49,676)

Changes in net assets of governmental activities (page 15) \$ 329,146

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

		School Nutrition
ASSETS		
Cash and pooled investments	\$	39,764
Inventories		24,898
Capital assets, net of accumulated depreciation (Note 5)		3,164
TOTAL ASSETS		67,826
LIABILITIES		
Accounts payable		953
Deferred revenue:		
Other		6,356
TOTAL LIABILITIES		7,309
NET ASSETS		
Investment in capital assets, net of related debt		3,164
Unrestricted		57,353
TOTAL NET ASSETS	\$	60,517

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 229,667
TOTAL OPERATING REVENUES	229,667
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	161,230
Benefits	36,269
Services	3,684
Supplies	180,609
Depreciation	1,452
TOTAL OPERATING EXPENSES	383,244
OPERATING LOSS	(153,577)
NON-OPERATING REVENUES:	
State sources	6,253
Federal sources	153,519
Interest income	201
TOTAL NON-OPERATING REVENUES	159,973
Change in net assets	6,396
Net assets beginning of year, as restated(Note 10)	54,121
Net assets end of year	\$ 60,517

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 230,306
Cash payments to employees for services	(197,499)
Cash payments to suppliers for goods or services	(144,025)
Net cash used in operating activities	(111,218)
Cash flows from non-capital financing activities:	
State grants received	6,253
Federal grants received	120,171
Net cash provided by non-capital financing activities	126,424
Cash flows from investing activities:	
Interest on investments	201
Net cash provided by investing activities	201
Net increase in cash and cash equivalents	15,407
Cash and cash equivalents at beginning of year	24,357
Cash and cash equivalents at end of year	\$ 39,764
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (153,577)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	33,348
Depreciation	1,452
Decrease in inventories	6,839
Decrease in accounts receivable	193
Increase in accounts payable	81
Increase in deferred revenue	446
Net cash used in operating activities	\$ (111,218)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 39,764
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2004, the District received Federal commodities valued at \$33,348.

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 12,362
	<u>12,362</u>
LIABILITIES	
Accounts payable	2,829
Due to other groups	9,533
	<u>12,362</u>
NET ASSETS	<u>\$ 0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government

commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

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

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

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

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

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments at June 30, 2004.

(3) Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 220,367</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

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

reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	\$ 668,522	3,637	664,000	5,515
2004-05A	6/30/04	6/30/05	1,032,566	0	1,027,000	0
			<u>\$ 1,701,088</u>	<u>3,637</u>	<u>1,691,000</u>	<u>5,515</u>

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

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ 0	638,846	638,846	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	1.051%
2003-04B	2.000%	1.310%
2004-05A	3.000%	2.463%

(5) Capital Assets

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

	Balance Beginning of Year, as restated (Note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 381,700	0	0	381,700
Total capital assets not being depreciated	<u>381,700</u>	<u>0</u>	<u>0</u>	<u>381,700</u>
Capital assets being depreciated:				
Buildings	8,640,574	638,710	171,029	9,108,255
Land improvements	339,314	90,949	0	430,263
Machinery and equipment	3,404,187	70,253	0	3,474,440
Total capital assets being depreciated	<u>12,384,075</u>	<u>799,912</u>	<u>171,029</u>	<u>13,012,958</u>
Less accumulated depreciation for:				
Buildings	2,950,360	211,409	171,029	2,990,740
Land improvements	187,009	16,596	0	203,605
Machinery and equipment	2,683,089	178,006	0	2,861,095
Total accumulated depreciation	<u>5,820,458</u>	<u>406,011</u>	<u>171,029</u>	<u>6,055,440</u>
Total capital assets being depreciated, net	<u>6,563,617</u>	<u>393,901</u>	<u>0</u>	<u>6,957,518</u>
Governmental activities capital assets, net	<u>\$ 6,945,317</u>	<u>393,901</u>	<u>0</u>	<u>7,339,218</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 85,682	0	0	85,682
Less accumulated depreciation	81,066	1,452	0	82,518
Business-type activities capital assets, net	<u>\$ 4,616</u>	<u>(1,452)</u>	<u>0</u>	<u>3,164</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 87,852
Other		4,721
Support services:		
Operation and maintenance		2,749
Transportation		82,684
		<u>178,006</u>
Unallocated depreciation		<u>228,005</u>
Total governmental activities depreciation expense		<u>\$ 406,011</u>
Business-type activities:		
Food services		<u>\$ 1,452</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,420,000	0	510,000	2,910,000	535,000
Early retirement	102,055	84,380	34,704	151,731	24,793
Total	\$ 3,522,055	84,380	544,704	3,061,731	559,793

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 1, 1998			
	Interest Rates	Principal	Interest	Total
2005	3.90 %	\$ 535,000	114,422	649,422
2006	3.90	560,000	93,558	653,558
2007	3.90	580,000	71,718	651,718
2008	3.95	605,000	49,098	654,098
2009	4.00	630,000	25,200	655,200
Total		\$ 2,910,000	353,996	3,263,996

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay per individual. Early retirement benefits paid during the year ended June 30, 2004, totaled \$34,704. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual

covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$301,359, \$304,844, and \$293,463 respectively, equal to the required contributions for each year.

(8) Risk Management

New Hampton Community School District is a member in the Northeast Iowa Schools Insurance Trust, and Iowa Code Chapter 28E organization. The Northeast Iowa Schools Insurance Trust (NEIST) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. NEIST was formed July 1999 for the purpose of managing and funding employee benefits. NEIST provides coverage and protection in the following categories: medical, dental, long-term disability, and life insurance.

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to NEIST for the year ended June 30, 2004 were \$1,098,495.

Payments from participating members are the sole source for paying claims and establishing reserves for the NEIST self-funded programs. Stop loss insurance is purchased by NEIST to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

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

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$353,290 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board(GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absences and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board(GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			Total
	General	Capital Projects	Other Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 156,951	797,402	558,754	1,513,107
GASB Interpretation 6 adjustments	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 156,951</u>	<u>797,402</u>	<u>558,754</u>	<u>1,513,107</u>
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$5,820,458				6,945,317
Income surtax				250,875
Long-term liabilities:				
G.O. bonds payable			\$ 3,420,000	
Notes payable			<u>102,055</u>	(3,522,055)
Accrued interest payable				<u>(22,343)</u>
Net assets, July 1, 2003, as restated				<u>\$ 5,164,901</u>

	Fund		Total
	School	Nutrition	
Net assets, June 30, 2003, as previously reported	\$ 51,321		51,321
Capital Contributions	2,800		2,800
Net assets, July 1, 2003, as restated for proprietary funds	<u>\$ 54,121</u>		<u>54,121</u>

REQUIRED SUPPLEMENTAL INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Types Actual
Receipts:		
Local sources	\$ 5,405,988	230,507
Intermediate sources	4,234	0
State sources	4,015,280	6,253
Federal sources	1,049,786	153,519
Total receipts	<u>10,475,288</u>	<u>390,279</u>
Disbursements:		
Instruction	6,040,343	0
Support services	2,245,351	0
Non-instructional programs	132,400	374,872
Other expenditures	2,507,415	0
Total disbursements	<u>10,925,509</u>	<u>374,872</u>
Excess(deficiency) of receipts over(under) disbursements	(450,221)	15,407
Balance beginning of year	<u>1,261,561</u>	<u>24,357</u>
Balance end of year	<u>\$ 811,340</u>	<u>39,764</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
5,636,495	5,520,267	5,520,267	116,228
4,234	3,000	3,000	1,234
4,021,533	4,148,187	4,148,187	(126,654)
1,203,305	560,657	560,657	642,648
<u>10,865,567</u>	<u>10,232,111</u>	<u>10,232,111</u>	<u>633,456</u>
6,040,343	6,140,314	6,201,314	160,971
2,245,351	2,585,665	2,585,665	340,314
507,272	477,140	567,420	60,148
2,507,415	1,950,901	3,390,000	882,585
<u>11,300,381</u>	<u>11,154,020</u>	<u>12,744,399</u>	<u>1,444,018</u>
(434,814)	(921,909)	(2,512,288)	2,077,474
<u>1,285,918</u>	<u>1,122,861</u>	<u>1,122,861</u>	<u>163,057</u>
<u>851,104</u>	<u>200,952</u>	<u>(1,389,427)</u>	<u>2,240,531</u>

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Funds		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 10,475,288	26,970	10,502,258
Expenses	10,925,509	110,097	11,035,606
Net	(450,221)	(83,127)	(533,348)
Beginning fund balances	1,261,561	251,546	1,513,107
Ending fund balances	\$ 811,340	168,419	979,759

	Proprietary Funds		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 390,279	(639)	389,640
Expenses	374,872	8,372	383,244
Net	15,407	(9,011)	6,396
Beginning retained earnings	24,357	29,764	54,121
Ending retained earnings	\$ 39,764	20,753	60,517

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,590,379.

OTHER SUPPLEMENTAL INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	
ASSETS						
Cash and pooled investments	\$ 128,542	182,747	77,796	389,085	76,148	465,233
Receivables:						
Property tax						
Current year delinquent	2,254	0	1,247	3,501	29,106	32,607
Succeeding year	204,551	0	100,844	305,395	439,623	745,018
TOTAL ASSETS	\$ 335,347	182,747	179,887	697,981	544,877	1,242,858
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 0	5,140	0	5,140	0	5,140
Deferred revenue:						
Succeeding year property tax	204,551	0	100,844	305,395	439,623	745,018
	204,551	5,140	100,844	310,535	439,623	750,158
Fund equity:						
Fund balances:						
Reserved for debt service	0	0	0	0	105,254	105,254
Unreserved, undesignated	130,796	177,607	79,043	387,446	0	387,446
	130,796	177,607	79,043	387,446	105,254	492,700
TOTAL LIABILITIES AND FUND EQUITY	\$ 335,347	182,747	179,887	697,981	544,877	1,242,858

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds				Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds		
REVENUES:						
Local sources:						
Local tax	\$ 188,568	0	107,563	296,131	448,099	744,230
Other	35,209	350,561	12,752	398,522	0	398,522
State sources	151	0	85	236	354	590
Federal sources	0	0	195,069	195,069	0	195,069
TOTAL REVENUES	223,928	350,561	315,469	889,958	448,453	1,338,411
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	106,515	0	0	106,515	0	106,515
Other instruction	0	372,287	0	372,287	0	372,287
Support services:						
Administration services	3,167	0	0	3,167	0	3,167
Operation and maintenance of plant services	88,794	0	0	88,794	0	88,794
Other expenditures:						
Facilities acquisition	0	0	409,712	409,712	0	409,712
Long-term debt:						
Principal	0	0	0	0	510,000	510,000
Interest and fiscal charges	0	0	0	0	134,357	134,357
TOTAL EXPENDITURES	198,476	372,287	409,712	980,475	644,357	1,624,832
Excess(deficiency) of revenues over(under) expenditures	25,452	(21,726)	(94,243)	(90,517)	(195,904)	(286,421)
OTHER FINANCING SOURCES:						
Transfers in	0	0	0	0	220,367	220,367
TOTAL OTHER FINANCING SOURCES	0	0	0	0	220,367	220,367
Excess(deficiency) of revenues and other financing sources over(under) expenditures	25,452	(21,726)	(94,243)	(90,517)	24,463	(66,054)
FUND BALANCES BEGINNING OF YEAR	105,344	199,333	173,286	477,963	80,791	558,754
FUND BALANCES END OF YEAR	\$ 130,796	177,607	79,043	387,446	105,254	492,700

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Staff Recognition Program	\$ 82	800	914	(32)
Academic Award Letter	2,226	0	0	2,226
Camp EWALU	1	0	0	1
Drama	475	6,300	6,844	(69)
Speech	317	0	315	2
National Honor Society	9	161	161	9
Pepsi Contract	71,056	0	4,505	66,551
Annual	(29)	12,023	11,998	(4)
Chieftain	284	0	0	284
Advance Placement Exam	997	583	587	993
Vocal Music	1,565	5,799	4,356	3,008
Instrumental Music	2,795	2,663	2,931	2,527
Swing Choir	1,757	3,210	4,061	906
Band Trip	362	0	0	362
Art Club	81	0	0	81
AFS	3,227	0	286	2,941
Writers Club	142	0	0	142
Science Achievement Club	8	0	0	8
BAC	518	365	213	670
FFA	44	4,269	3,429	884
SADD	65	4,605	3,759	911
Student Senate	4,913	22,334	20,045	7,202
Class of 2006	3	15,517	9,447	6,073
Class of 2007	0	306	(45)	351
Class of 2004	6,244	0	4,779	1,465
Class of 2011	(286)	3,410	(286)	3,410
Class of 2003	982	0	982	0
Class of 2005	5,097	152	1,218	4,031
HS Lounge	(1,317)	0	(1,317)	0
Class of 2008	12,353	51,993	64,151	195
Class of 2009	3,285	3,773	0	7,058
Picture	1,330	200	0	1,530
Scholarship	5,250	3,250	7,000	1,500
Class of 2010	2,829	2,691	0	5,520
Activity Tickets	5	9,348	9,015	338
Lettermen	3,917	7,194	8,587	2,524
Letterette	980	597	176	1,401
Pom Pon	1,193	8,343	10,054	(518)
Cheerleaders	827	4,079	4,901	5
Pep Club	10	0	0	10
Boys Basketball	776	20,048	20,631	193
Athletics	2,559	24,022	27,557	(976)
Baseball	(510)	1,539	1,264	(235)
Boys Track	390	769	1,154	5
NEIC Athletic Conference	0	0	(4)	4

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High School Accounts(Continued):				
Boys Golf	(661)	2,230	1,564	5
NEIC Athletic Directors	0	6,421	4,792	1,629
Wrestling	441	21,616	22,052	5
Girls Basketball	1,392	21,783	23,160	15
Volleyball	534	12,144	12,610	68
Softball	(764)	2,415	2,140	(489)
Girls Track	571	1,210	1,778	3
Cross Country	126	1,147	1,273	0
Girls Golf	149	757	904	2
Pop and Candy	793	5,627	6,299	121
Miscellaneous	7,604	7,895	14,254	1,245
Vocal Music	226	0	64	162
MS Musical	7,885	3,425	2,491	8,819
Annual	20	3,048	615	2,453
MS Music	453	126	576	3
Student Senate	4,931	18,346	18,286	4,991
Picture	425	0	300	125
OM/DI Activity	5,870	8,719	10,258	4,331
Cheerleaders	229	93	93	229
Football	354	905	1,577	(318)
Boys Basketball	235	960	1,191	4
Boys Track	493	15	507	1
Wrestling	280	1,182	1,461	1
Volleyball	295	1,104	1,349	50
Girls Basketball	298	288	583	3
Girls Track	417	0	335	82
MS Athletic Pop	454	108	0	562
Elementary Student Council Books	19	0	1	18
Picture	3,076	0	564	2,512
Lounge	2,531	459	157	2,833
Elementary Carnival	14,526	8,003	7,150	15,379
Student Assisance Fund	0	192	191	1
Book Fair	659	0	0	659
Box Top for Education	2,829	0	44	2,785
Elementary Playground	5,831	0	0	5,831
Total	\$ 199,333	350,561	372,287	177,607

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 0	27,950	15,588	12,362
LIABILITIES				
Accounts payable	\$ 0	2,829	0	2,829
Due to other groups	0	25,121	15,588	9,533
Total liabilities	\$ 0	27,950	15,588	12,362

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 4,760,526	4,588,232	3,867,115	3,584,456
Tuition	223,477	216,456	208,263	173,429
Other	591,796	1,385,390	469,813	517,612
Intermediate sources	4,234	3,865	4,732	3,318
State sources	4,000,492	4,180,273	4,306,987	4,538,086
Federal sources	921,733	362,418	232,968	229,594
Total	\$ 10,502,258	10,736,634	9,089,878	9,046,495
Expenditures:				
Instruction:				
Regular instruction	\$ 3,812,527	3,842,423	3,870,660	3,682,259
Special instruction	1,356,551	1,303,074	1,365,087	1,281,055
Other instruction	877,351	774,912	765,483	733,928
Support services:				
Student services	241,523	237,987	316,158	302,710
Instructional staff services	280,984	272,201	288,124	290,554
Administration services	751,760	671,847	656,731	690,684
Operation and maintenance of plant services	637,681	834,897	584,477	602,312
Transportation services	467,772	486,960	499,895	455,391
Non-instructional programs	0	0	43,484	44,856
Other expenditures:				
Facilities acquisitions	1,611,810	268,859	443,776	1,965,693
Long-term debt:				
Principal	510,000	485,000	460,000	435,000
Interest and other charges	134,357	152,713	169,198	184,425
AEA flow-through	353,290	377,666	381,176	401,713
Total	\$ 11,035,606	9,708,539	9,844,249	11,070,580

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 04	\$ 33,348
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	7,546
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	112,625
			<u>120,171</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4662-GC	2,695
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4662-G	111,021
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4662-GC	11,482
			<u>125,198</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 04	5,746
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 03	195,069
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 04	748,125
			<u>943,194</u>
EISENHOWER PROFESSIONAL DEVELOPMENT STATE GRANTS	84.281	FY 04	1,142
INNOVATIVE EDUCATION PROGRAM STRATEGIES(TITLE V PROGRAM)	84.298	FY 04	6,707
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 03	4,581
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 04	49,068
			<u>53,649</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 03	5,805
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 04	6,966
			<u>12,771</u>

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
SCHOOL RENOVATION, IDEA, AND TECHNOLOGY GRANTS PROGRAM	84.352	FY 04	<u>49,275</u>
AREA EDUCATION AGENCY: VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 04	<u>12,873</u>
SPECIAL EDUCATION - GRANTS TO STATES(SUCCESS 4)	84.027	FY 03	3,839
SPECIAL EDUCATION - GRANTS TO STATES(SUCCESS 4)	84.027	FY 04	<u>7,108</u>
			<u>10,947</u>
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 04	<u>47,643</u>
DEPARTMENT OF HUMAN SERVICES: MEDICAL ASSISTANCE PROGRAM(MEDICAID)	93.778	FY 04	<u>1,407</u>
TOTAL			<u>\$ 1,424,071</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the New Hampton 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 basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of the
New Hampton Community School District:

We have audited the financial statements of New Hampton Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 29, 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 New Hampton Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in 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 in 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 New Hampton Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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

the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have all been resolved except items II-A-04 and II-B-04.

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

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson, P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

October 29, 2004

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance

To the Board of Education of
New Hampton Community School District

Compliance

We have audited the compliance of New Hampton 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. New Hampton 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 New Hampton Community School District's management. Our responsibility is to express an opinion on New Hampton 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 provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Hampton 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 New Hampton Community School District's compliance with those requirements.

In our opinion, New Hampton 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 New Hampton 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 New Hampton Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its 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 New Hampton 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 as item III-A-04 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 non-compliance with applicable requirements of laws, regulations, contracts, and grants 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 compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-04 is a material weakness.

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

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson P.C." The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

October 29, 2004

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A reportable conditions in internal control over major programs were 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 audit findings which were 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 84.215 - Fund for the Improvement of Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) New Hampton Community School District did not qualify as a low-risk auditee.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

II-B-04 Student Activity Fund - We noted during our audit of the Student Activity Fund some various accounts that should be allocated to a student run organization or club. There is also a Pepsi Contract account that should be closed and moved to the General fund.

Recommendation - The various accounts should be allocated to a student run organization or club. The District should review all Student Activity Fund accounts and determine if the account is truly a student run organization and club. If the account is instructional in nature, the account should be closed and moved to the General Fund. The Pepsi Contract should be closed and moved to the General Fund. The various accounts should be allocated to a student run organization or club.

Response - We will review the Student Activity Fund accounts and make the necessary changes.

Conclusion - Response accepted.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 84.215: Fund for the Improvement of Education
Federal Award Year: 2004
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

III-B-04 Davis Bacon Requirements - The District received a grant that is subject to the Davis Bacon and Related Acts whose testing and documentation requirements were not met.

Recommendation - The District must test the wages paid by contractors to the prevailing wage rate for the District as set by the Department of Labor. Also, the District must retain this documentation of this testing.

Response - We will comply with Davis Bacon Requirements in any future grants.

Conclusion - Response accepted.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, did not exceed the amount budgeted.

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

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 - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Wanda Batchelder, Media Specialist Owner of House of Flowers	Supplies	\$886
Bonnie Gage, Elementary Teacher Spouse owns Mick Gage Plumbing and Heating	Repairs/Supplies	\$1,592
Carolyn Huber, Teacher Spouse owns NAPA Auto Parts	Supplies	\$30
Donna Kramer, Paraeducator Spouse owns Rick's Parking Lot Line	Line Striping	\$500
Terry Phillips, Cook Spouse owns Phillips Refrigeration	Repairs	\$678
Linda Schwickerath, Secretary Spouse owns Office World	Office Supplies	\$20,405
Marilyn Stanton, Cook Spouse owns Stanton Electric	Repairs/Supplies	\$1,207
Ruth Straw, Lunch Manager Owns Chaffs	Food	\$259

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouse's of Linda Schwickerath, Bonnie Gage, Donna Kramer, Marilyn Stanton, Carolyn Huber and Terry Phillips do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Wanda Batchelder and Ruth Straw do not appear to represent a conflict of interest.

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

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

Response - We are providing the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

- IV-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 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.