

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	22
Statement of Cash Flows	I	23
Notes to Financial Statements		24-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		35-36
Budget to GAAP Reconciliation		37
Notes to Required Supplementary Information - Budgetary Reporting		38
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	40
Schedule of Changes in Student Activity Accounts	3	41
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	42
Combining Statement of Net Assets - Other Enterprise Funds	5	43
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Other Enterprise Funds	6	44
Combining Statement of Cash Flows - Other Enterprise Funds	7	45-46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	8	47
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		48-49
Schedule of Findings		50-51

North Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Richard Arp	President	2005
John Hayek	Vice President	2005
Dave Stuart	Board Member	2003
Steven Fuller	Board Member	2003
Cindy Dinsdale	Board Member	2003
Cindy Dennis	Board Member	2004
Barbara Kopriva	Board Member	2004

**Board of Education
(After September 2003 Election)**

Richard Arp	President	2005
John Hayek	Vice President	2005
Barb Kopriva	Board Member	2004
Dave Stuart	Board Member	2006
Cindy Dennis	Board Member	2004
Judy Robb	Board Member	2006
Gretchen Pargeon	Board Member	2006

School Officials

Tom McDermott	Superintendent	2004
Nancy Gee	District Secretary/ Business Manager	2004
Roan, Powell & Reinders	Attorney	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
North Tama County 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 North Tama County 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 North Tama County 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, North Tama County 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 - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

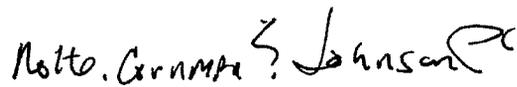
In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2004, on our consideration of the North Tama County Community School District's internal control over financial reporting and our tests of its compliance with certain

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provisions of laws, regulations, contracts and grants. That report is 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 38 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 North Tama County 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 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

August 17, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Tama County 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

- The North Tama County Community School District had a total General Fund budget of approximately \$3.6 million for fiscal 2004. At the end of fiscal 2004, the District had an unspent balance of \$249,974 and a cash balance of \$476,633. These balances are the highest they have been in over 15 years. North Tama has a taxable valuation of approximately \$157,000,000 and a property tax rate of \$10.98 per \$1,000 of taxable valuation. This compares to the state average of \$13.81. The District also has an income surtax rate of 9 percent. Voters of the District have approved a Physical Plant and Equipment Levy (PPEL) to help meet identified facility and equipment needs. The PPEL will expire in 2005 and will be replaced by the School Infrastructure Local Option (SILO) Sales Tax which was approved in Tama County on February 24, 2004. The SILO Tax is projected to generate approximately \$195,000 per year for 10 years. The District also has an Instructional Support Levy of 10 percent to help purchase educational supplies and pay employee salaries and benefits. For fiscal 2004, the North Tama Board of Education approved a regular PPEL of \$.33 per \$1,000.
- General Fund revenues increased from \$3,556,743 in fiscal 2003 to \$3,585,819 in fiscal 2004, while General Fund expenditures also increased from \$3,468,952 in fiscal 2003 to \$3,560,699 in fiscal 2004. This resulted in an increase in the District's fund balance from \$451,513 in fiscal 2003 to \$476,633 in fiscal 2004, which was a 6% increase from the prior year.
- The largest factor in the increased revenue was the increase in state aid from \$1,317,370 in fiscal 2003 to \$1,425,711 in fiscal 2004. This was somewhat offset by a decrease in property tax revenue from \$1,506,347 in fiscal 2003 to \$1,431,215 in fiscal 2004.
- The largest increases in expenditures were in employee benefits from \$468,075 in fiscal 2003 to \$530,963 in fiscal 2004; and in employee salaries from \$2,109,299 in fiscal 2003 to \$2,143,278 in fiscal 2004. These increases were somewhat offset by decreases in expenditures for the purchase of equipment from \$55,039 in fiscal 2003 to \$13,147 in fiscal 2004; and for the purchase of general supplies from \$214,870 in fiscal 2003 to \$195,897 in fiscal 2004.
- The solvency ratio increased from 10.8% for fiscal 2003 to 11.1% for fiscal 2004. This is the highest solvency ratio for the District in over 20 years. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term obligations. The solvency ratio is considered to be a critical measure of the long-term financial health of a school district.

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 North Tama County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Tama County 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 North Tama County Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to 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 Special Revenue Funds.

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

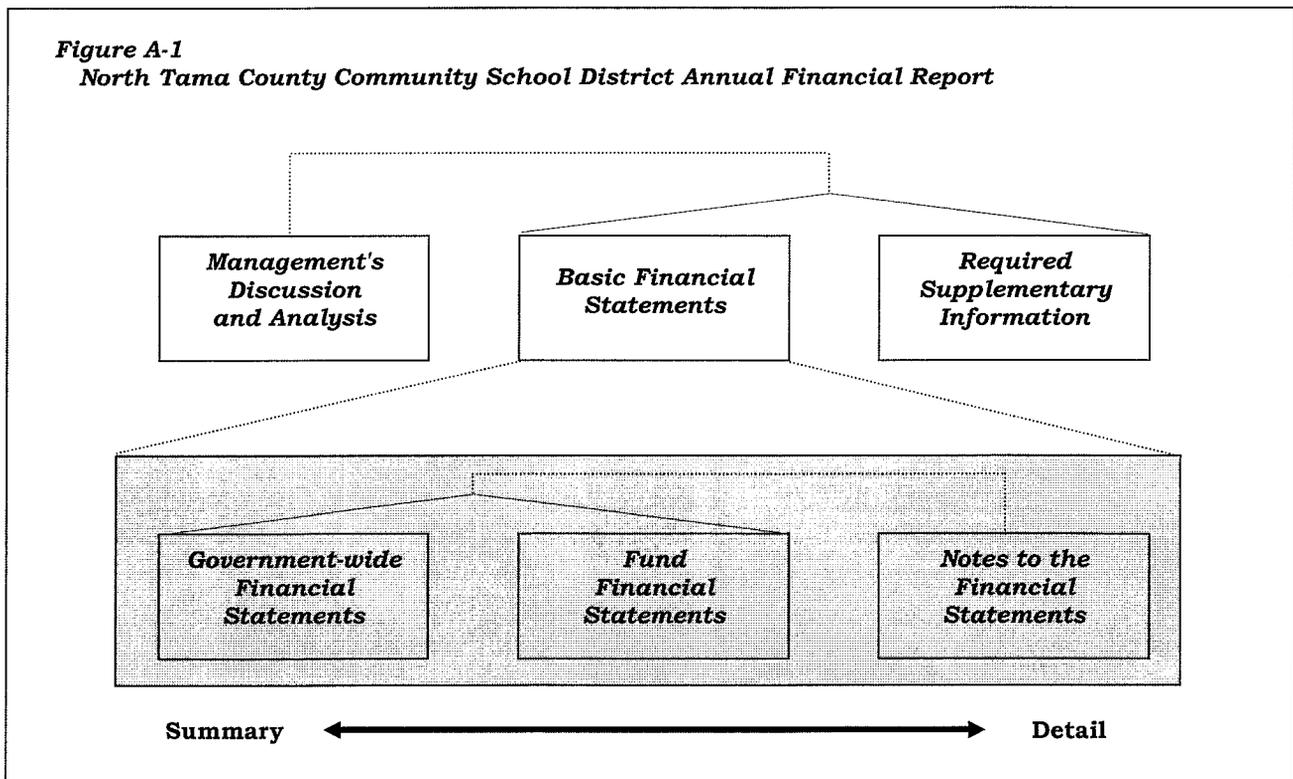


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 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, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property 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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

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

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

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

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 2,880,244	64,738	2,944,982
Capital assets	1,090,892	22,395	1,113,287
Total assets	<u>3,971,136</u>	<u>87,133</u>	<u>4,058,269</u>
Long-term obligations	217,545	0	217,545
Other liabilities	2,130,427	925	2,131,352
Total liabilities	<u>2,347,972</u>	<u>925</u>	<u>2,348,897</u>
Net assets:			
Invested in capital assets, net of related debt	974,971	22,395	997,366
Restricted	158,404	0	158,404
Unrestricted	489,789	63,813	553,602
Total net assets	<u>\$ 1,623,164</u>	<u>86,208</u>	<u>1,709,372</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	\$ 428,359	176,224	604,583
Operating grants and contributions and restricted interest	386,832	69,034	455,866
General revenues:			
Property tax	1,855,041	0	1,855,041
Unrestricted state grants	1,449,529	0	1,449,529
Unrestricted investment earnings	6,035	282	6,317
Total revenues	4,125,796	245,540	4,371,336
Program expenses:			
Governmental activities:			
Instructional	2,423,193	0	2,423,193
Support services	1,355,202	0	1,355,202
Non-instructional programs	0	233,358	233,358
Other expenses	194,582	0	194,582
Total expenses	3,972,977	233,358	4,206,335
Change in net assets	\$ 152,819	12,182	165,001

Property tax and unrestricted state grants account for 80% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 96% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,125,796 and expenses were \$3,972,977.

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. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,423,193	1,763,288
Support services	1,355,202	1,347,522
Other expenses	194,582	46,976
Totals	\$ 3,972,977	3,157,786

-
- A portion of the cost financed by users of the District's programs was \$428,359
 - The federal and state government subsidized certain programs with operating grants and contributions totaling \$386,832
 - The net cost portion of governmental activities was financed with \$1,855,041 in property tax, \$1,449,529 in unrestricted state grants, and unrestricted investment earnings of \$6,035

Business-Type Activities

The District's business-type activities are the School Nutrition Fund, and the Enterprise Funds. Revenues of the District's business-type activities totaled \$245,540 in 2004, which is an increase of 11.6% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 5% to \$233,358 for business-type activities in 2004, this was due to an increased cost to provide meals.

An ala carte component was added to the Nutrition Program in October 2003. A net profit of \$4,482 was shown for the ala carte program for fiscal 2004. Plans are to expand the ala carte offerings for fiscal 2005.

INDIVIDUAL FUND ANALYSIS

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

As the District completed the year, its governmental funds reported combined fund balances of \$614,353, a decrease of \$10,035 below last years ending fund balances of \$624,388.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the result of many factors. Growth during the year in local and state sources resulted in an increase in revenues. The District also increased its General Fund expenditures over the prior year. The biggest change in General Fund expenditures came in the instructional area.
- Rising insurance costs continue to be a concern. The District's Management Fund paid out \$53,317 for workers' compensation, liability, auto/bus, and building/property insurance in fiscal year 2004 compared to \$46,224 in fiscal year 2003. Health, life, and disability insurance paid from the General Fund for fiscal year 2004 was \$235,167 compared to \$177,578 for fiscal year 2003.
- The District's expenditure increase was due to increased salary and benefits. To keep costs under control, the District continued to closely monitor operating expenses. Although the payroll expenses increased significantly (approximately \$96,867) from the previous year, the operating expenses actually decreased. The District spent less on general supplies and equipment purchases compared to fiscal year 2003.
- Fuel prices for fiscal year 2004 were \$4,242 higher than the previous year but heating prices were \$4,925 less than previous year.
- Two buses were purchased from the PPEL Fund in fiscal year 2004. Principal paid on loans during the year amounted to \$127,500 and interest paid during the year was \$18,205. The outstanding debt at the end of 2004 is \$177,500.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$52,874 at June 30, 2003 to \$51,610 at June 30, 2004, representing a decrease of 2.4%.
- The decrease to the fund balance in the Nutrition Fund can be attributed to salaries and benefits increasing from \$80,212 in fiscal year 2003 to \$89,450 in fiscal year 2004. Although this was a large increase in expenditures, operating costs decreased to maintain the fund balance.
- An Ala Carte Line was added in October of 2003 and provided an additional \$4,482 to the Nutrition Fund Balance.

BUDGETARY HIGHLIGHTS

The District's receipts were \$131,488 less than budgeted receipts. The most significant variance resulted from the District receiving in state sources than originally anticipated.

Total expenditures were less than budgeted, due 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 \$1,113,287, 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 the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$112,424.

The original cost of the District's capital assets was \$3,293,437. Governmental funds account for \$3,231,854, with the remainder of \$61,583 accounted for in the Proprietary School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$346,508 at June 30, 2004, compared to \$316,585 reported at June 30, 2003.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Land	\$ 116,414	0	116,414
Buildings	627,970	0	627,970
Machinery and equipment	346,508	22,395	368,903
Total	\$ 1,090,892	22,395	1,113,287

Long-Term Debt

At year-end, the District had \$217,545 in notes, loans and other long-term debt outstanding. This represents a decrease of 41% from last year's balance of \$368,160. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
Capital loan note	\$ 40,000	75,000	-46.7%
Building loan(1996)	100,000	155,000	-35.5%
Building loan(1995)	37,500	75,000	-50.0%
Early retirement	40,045	63,160	-36.6%
Totals	\$ 217,545	368,160	-40.9%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- The District will pay off the Capital Loan Note and one of the Building Loans during the 2005 fiscal year.
- Open enrollment increased again in 2003, which will increase revenues for the 2005 fiscal year.
- Maintaining enrollment will be extremely important for the District in their efforts to remain as a viable K-12 school district.
- Efforts to contain costs – especially in the area of health insurance – must be continued and expanded.
- The Physical Plant and Equipment Levy (PPEL) will expire in 2005 and will be replaced by the School Infrastructure Local Option (SILO) Sales Tax which was approved in Tama County on February 24, 2004. The SILO Tax is projected to generate approximately \$195,000 per year for 10 years.
- The District also has an Instructional Support Levy of 10 percent to help purchase educational supplies and pay employee salaries and benefits. It is important that the District renews this Levy when it is up for renewal in 2006.
- For fiscal 2004, the North Tama Board of Education approved a regular PPEL of \$.33 per \$1,000. The Board did not implement this Levy for fiscal 2005, but will reinstate the Levy for fiscal 2006.

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 Nancy Gee, Board Secretary, North Tama County Community School District, 605 Walnut Street, Traer, Iowa, 50675.

BASIC FINANCIAL STATEMENTS

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP (Note 4)	\$ 486,990	0	486,990
Other	576,792	59,509	636,301
Receivables			
Property tax:			
Delinquent	29,169	0	29,169
Succeeding year	1,625,534	0	1,625,534
Income surtax	138,120	0	138,120
Accounts	22,166	0	22,166
Accrued ISCAP interest	1,473	0	1,473
Inventories	0	5,229	5,229
Capital assets, net of accumulated depreciation (Note 5)	1,090,892	22,395	1,113,287
TOTAL ASSETS	3,971,136	87,133	4,058,269
LIABILITIES			
Accounts payable	11,706	120	11,826
ISCAP warrants payable (Note 4)	487,000	0	487,000
ISCAP accrued interest payable	2,234	0	2,234
ISCAP unamortized premium	1,297	0	1,297
Accrued interest payable	2,656	0	2,656
Deferred revenue:			
Succeeding year property tax	1,625,534	0	1,625,534
Other	0	805	805
Long-term liabilities (Note 6):			
Portion due within one year:			
Capital loan note	40,000	0	40,000
Building loan (1996)	58,000	0	58,000
Building loan (1995)	37,500	0	37,500
Early retirement	24,056	0	24,056
Portion due after one year:			
Building loan (1996)	42,000	0	42,000
Early retirement	15,989	0	15,989
TOTAL LIABILITIES	2,347,972	925	2,348,897
NET ASSETS			
Investment in capital assets, net of related debt	974,971	22,395	997,366
Restricted for:			
Teacher Compensation	644	0	644
Phase III	96	0	96
Talented and gifted	28,452	0	28,452
Early intervention	49,732	0	49,732
Management levy	3,497	0	3,497
Other special revenue purposes	75,983	0	75,983
Unrestricted	489,789	63,813	553,602
TOTAL NET ASSETS	\$ 1,623,164	86,208	1,709,372

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,605,168	420,679	220,954
Special instruction	368,586	0	18,272
Other instruction	449,439	0	0
	<u>2,423,193</u>	<u>420,679</u>	<u>239,226</u>
Support services:			
Student services	134,248	0	0
Instructional staff services	121,762	0	0
Administration services	566,707	0	0
Operation and maintenance of plant services	292,971	0	0
Transportation services	238,643	7,680	0
Central services	871	0	0
	<u>1,355,202</u>	<u>7,680</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	10,000	0	0
Long-term debt interest	18,286	0	0
AEA flowthrough	147,606	0	147,606
Depreciation(unallocated)*	18,690	0	0
	<u>194,582</u>	<u>0</u>	<u>147,606</u>
Total governmental activities	3,972,977	428,359	386,832
Business-Type activities:			
Non-instructional programs:			
Nutrition services	197,883	125,621	69,034
Enterprise	35,475	50,603	0
Total business-type activities	233,358	176,224	69,034
Total	\$ 4,206,335	604,583	455,866

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
 Unrestricted state grants
 Unrestricted investment earnings

Total general revenues

Excess of revenues over expenses before capital contributions

Capital contributions
 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
(963,535)	0	(963,535)
(350,314)	0	(350,314)
(449,439)	0	(449,439)
<u>(1,763,288)</u>	<u>0</u>	<u>(1,763,288)</u>
(134,248)	0	(134,248)
(121,762)	0	(121,762)
(566,707)	0	(566,707)
(292,971)	0	(292,971)
(230,963)	0	(230,963)
(871)	0	(871)
<u>(1,347,522)</u>	<u>0</u>	<u>(1,347,522)</u>
(10,000)	0	(10,000)
(18,286)	0	(18,286)
0	0	0
(18,690)	0	(18,690)
<u>(46,976)</u>	<u>0</u>	<u>(46,976)</u>
(3,157,786)	0	(3,157,786)
0	(3,228)	(3,228)
0	15,128	15,128
0	11,900	11,900
<u>(3,157,786)</u>	<u>11,900</u>	<u>(3,145,886)</u>
\$ 1,628,272	0	1,628,272
226,769	0	226,769
1,449,529	0	1,449,529
6,035	282	6,317
<u>3,310,605</u>	<u>282</u>	<u>3,310,887</u>
152,819	12,182	165,001
0	1,682	1,682
<u>152,819</u>	<u>13,864</u>	<u>166,683</u>
1,470,345	72,344	1,542,689
<u>\$ 1,623,164</u>	<u>86,208</u>	<u>1,709,372</u>

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 486,990	0	486,990
Other	443,078	133,714	576,792
Receivables:			
Property tax:			
Delinquent	24,260	4,909	29,169
Succeeding year	1,422,617	202,917	1,625,534
Income surtax	92,080	46,040	138,120
Accounts	22,166	0	22,166
Accrued ISCAP interest	1,473	0	1,473
TOTAL ASSETS	\$ 2,492,664	387,580	2,880,244
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	10,803	903	11,706
ISCAP warrants payable(Note 4)	487,000	0	487,000
ISCAP accrued interest payable	2,234	0	2,234
ISCAP unamortized premium	1,297	0	1,297
Deferred revenue:			
Succeeding year property tax	1,422,617	202,917	1,625,534
Income surtax	92,080	46,040	138,120
Total liabilities	2,016,031	249,860	2,265,891
Fund balances:			
Reserved for:			
Teacher Compensation	644	0	644
Phase III	96	0	96
Talented and gifted	28,452	0	28,452
Early intervention	49,732	0	49,732
Unreserved:			
Undesignated	397,709	137,720	535,429
Total fund balances	476,633	137,720	614,353
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,492,664	387,580	2,880,244

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY 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 17)	\$	614,353
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		1,090,892
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.		(2,656)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		138,120
Long-term liabilities, including notes and loans payable, and early retirement, are not due and payable in the current period and, therefore are not reported in the funds.		<u>(217,545)</u>
Net assets of governmental activites (page 14)	\$	<u><u>1,623,164</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,519,669	334,286	1,853,955
Tuition	148,428	0	148,428
Other	82,802	203,164	285,966
State sources	1,731,772	1,441	1,733,213
Federal sources	103,148	0	103,148
Total revenues	<u>3,585,819</u>	<u>538,891</u>	<u>4,124,710</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	1,577,702	25,290	1,602,992
Special instruction	369,907	0	369,907
Other instruction	248,132	201,942	450,074
	<u>2,195,741</u>	<u>227,232</u>	<u>2,422,973</u>
Support services:			
Student services	130,982	3,266	134,248
Instructional staff services	114,307	7,455	121,762
Administration services	562,265	6,828	569,093
Operation and maintenance of plant services	235,762	50,775	286,537
Transportation services	174,036	121,913	295,949
Central services	0	871	871
	<u>1,217,352</u>	<u>191,108</u>	<u>1,408,460</u>
Other expenditures:			
Facilities acquisitions	0	10,000	10,000
Long-term debt:			
Principal	0	127,500	127,500
Interest and fiscal charges	0	18,206	18,206
AEA flowthrough	147,606	0	147,606
	<u>147,606</u>	<u>155,706</u>	<u>303,312</u>
Total expenditures	<u>3,560,699</u>	<u>574,046</u>	<u>4,134,745</u>
Excess(deficiency) of revenues over(under) expenditures	25,120	(35,155)	(10,035)
Other financing sources(uses):			
Transfers in	0	145,706	145,706
Transfers out	0	(145,706)	(145,706)
Total other financing sources(uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	25,120	(35,155)	(10,035)
Fund balance beginning of year	451,513	172,875	624,388
Fund balance end of year	<u>\$ 476,633</u>	<u>137,720</u>	<u>614,353</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY 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 19) \$ (10,035)

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

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

Capital outlays	\$ 120,773	
Depreciation expense	<u>(109,540)</u>	11,233

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid	127,500
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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.

(80)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

1,086

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>23,115</u>
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Changes in net assets of governmental activities(page 16)	<u><u>\$ 152,819</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

	Other		
	School	Enterprise	
	Nutrition	Funds	Total
ASSETS			
Cash and pooled investments	\$ 24,911	34,598	59,509
Inventories	5,229	0	5,229
Capital assets, net of accumulated depreciation	22,395	0	22,395
Total assets	52,535	34,598	87,133
 LIABILITIES			
Accounts payable	120	0	120
Deferred Revenue:			
Other	805	0	805
Total liabilities	925	0	925
 NET ASSETS			
Invested in capital assets, net of related debt	22,395	0	22,395
Unrestricted	29,215	34,598	63,813
Total net assets	\$ 51,610	34,598	86,208

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Other Enterprise Funds	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 125,621	50,603	176,224
TOTAL OPERATING REVENUES	<u>125,621</u>	<u>50,603</u>	<u>176,224</u>
OPERATING EXPENSES:			
Instruction:			
Salaries	0	706	706
Benefits	0	95	95
Services	0	2,520	2,520
Supplies	0	32,154	32,154
Total Instruction	<u>0</u>	<u>35,475</u>	<u>35,475</u>
Non-instructional programs:			
Food service operations:			
Salaries	67,438	0	67,438
Benefits	22,012	0	22,012
Services	1,916	0	1,916
Supplies	103,633	0	103,633
Depreciation	2,884	0	2,884
Total non-instructional	<u>197,883</u>	<u>0</u>	<u>197,883</u>
TOTAL OPERATING EXPENSES	<u>197,883</u>	<u>35,475</u>	<u>233,358</u>
OPERATING INCOME (LOSS)	<u>(72,262)</u>	<u>15,128</u>	<u>(57,134)</u>
NON-OPERATING REVENUES:			
State sources	3,000	0	3,000
Federal sources	66,034	0	66,034
Interest income	282	0	282
TOTAL NON-OPERATING REVENUES	<u>69,316</u>	<u>0</u>	<u>69,316</u>
Income(loss) before capital contributions	(2,946)	15,128	12,182
Capital Contributions	<u>1,682</u>	<u>0</u>	<u>1,682</u>
Change in net assets	(1,264)	15,128	13,864
Net assets beginning of year	<u>52,874</u>	<u>19,470</u>	<u>72,344</u>
Net assets end of year	<u>\$ 51,610</u>	<u>34,598</u>	<u>86,208</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 125,507	0	125,507
Cash received from miscellaneous operating activities	757	50,603	51,360
Cash payments to employees for services	(89,450)	(801)	(90,251)
Cash payments to suppliers for goods or services	(90,759)	(34,674)	(125,433)
Net cash provided by (used in) operating activities	(53,945)	15,128	(38,817)
Cash flows from non-capital financing activities:			
State grants received	3,000	0	3,000
Federal grants received	53,628	0	53,628
Net cash provided by non-capital financing activities	56,628	0	56,628
Cash flows from capital and related financing activities:			
Purchase of capital assets	(1,683)	0	(1,683)
Net cash used in capital and related financing activities	(1,683)	0	(1,683)
Cash flows from investing activities:			
Interest on investments	282	0	282
Net cash provided by investing activities	282	0	282
Net increase in cash and cash equivalents	1,282	15,128	16,410
Cash and cash equivalents at beginning of year	23,629	19,470	43,099
Cash and cash equivalents at end of year	\$ 24,911	34,598	59,509
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	\$ (72,262)	15,128	(57,134)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Commodities consumed	12,406	0	12,406
Depreciation	2,884	0	2,884
Decrease in inventories	2,264	0	2,264
Decrease in accounts receivable	913	0	913
Increase in accounts payable	120	0	120
Decrease in deferred revenue	(270)	0	(270)
Net cash provided by (used in) operating activities	\$ (53,945)	15,128	(38,817)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 24,911	34,598	59,509
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			

During the year ended June 30, 2004, the District received Federal commodities valued at \$12,406.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, North Tama County 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 North Tama County 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 Tama County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The District reports the following major proprietary fund:

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations

and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500

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

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

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

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

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

Long-term liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations

are reported as liabilities in the governmental activities column in the Statement of Net Assets.

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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	PPEL	\$ 145,706

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 School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporations is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating

entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at 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	270,832	1,473	269,000	2,234
2004-05A	6/30/04	6/30/05	216,158	0	218,000	0
Total			\$ 486,990	1,473	487,000	2,234

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

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ 0	200,000	200,000	0

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.000%	1.392%
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	\$ 116,414	0	0	116,414
Total capital assets not being depreciated	116,414	0	0	116,414
Capital assets being depreciated:				
Buildings	1,738,300	0	0	1,738,300
Machinery and equipment	1,256,367	120,773	0	1,377,140
Total capital assets being depreciated	2,994,667	120,773	0	3,115,440
Less accumulated depreciation for:				
Buildings	1,091,640	18,690	0	1,110,330
Machinery and equipment	939,782	90,850	0	1,030,632
Total accumulated depreciation	2,031,422	109,540	0	2,140,962
Total capital assets being depreciated, net	963,245	11,233	0	974,478
Governmental activities capital assets, net	\$ 1,079,659	11,233	0	1,090,892

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 58,219	3,364	0	61,583
Less accumulated depreciation	36,304	2,884	0	39,188
Business-type activities capital assets, net	\$ 21,915	480	0	22,395

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				\$ 23,140
Special				825
Other				10,414
Support services:				
Administration				3,626
Operation and maintenance of plant				6,434
Transportation				46,411
				90,850
Unallocated depreciation				18,690
Total governmental activities depreciation expense				\$ 109,540
Business-type activities:				
Food services				\$ 2,884
Total business-type activities depreciation expense				\$ 2,884

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	Reductions	Balance End of Year	Due Within One Year
Capital loan note	\$ 75,000	0	35,000	40,000	40,000
Building loan(1996)	155,000	0	55,000	100,000	58,000
Building loan(1995)	75,000	0	37,500	37,500	37,500
Early retirement	63,160	1,065	24,180	40,045	24,056
Total	\$ 368,160	1,065	151,680	217,545	159,556

Capital Loan Note

Details of the District's June 30, 2004 capital loan note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue of March 1, 1998		
		Principal	Interest	Total
2005	5.90	\$ 40,000	2,360	42,360
Total		\$ 40,000	2,360	42,360

Building Loans Payable

Details of the District's June 30, 2004 building loans payable are as follows:

Year Ending June 30,	Loan dated September 4, 1996		
	Principal	Interest	Total
2005	\$ 58,000	5,262	63,262
2006	42,000	1,859	43,859
Total	\$ 100,000	7,121	107,121

Year Ending June 30,	Loan dated March 1, 1995		
	Principal	Interest	Total
2005	\$ 37,500	2,840	40,340
Total	\$ 37,500	2,840	40,340

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 twenty years of 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 using the current year regular salary schedule, less any other additional pay and subject to a maximum per individual. Early retirement benefits paid during the year ended June 30, 2004, totaled \$24,180.

(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 \$125,336, \$122,384, \$112,717, respectively, equal to the required contributions for each year.

(8) Risk Management

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

Each members' contributions to the ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA'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 and Management Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$235,242.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA 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 a period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

North Tama County 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 \$147,606 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.

Beginning capital assets for governmental activities of \$6,264,173 were restated to \$3,111,081. The restatement primarily removed assets below the District's capitalizations threshold.

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

	Fund		
	General	Other Nonmajor Governmental Funds	Total
Net assets, June 30, 2003, as previously reported	\$ 451,513	172,875	624,388
Interpretation 6 adjustments	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 451,513</u>	<u>172,875</u>	624,388
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$2,031,422			1,079,659
Long-term liabilities:			
Notes and loans		305,000	
Early retirement		<u>63,160</u>	(368,160)
Accrued interest payable			(2,576)
Income surtax			<u>137,034</u>
Net assets, July 1, 2003, as restated			<u>\$ 1,470,345</u>

REQUIRED SUPPLEMENTAL INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS 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 Type Actual
Receipts:		
Local sources	\$ 2,290,015	177,149
State sources	1,733,213	3,000
Federal sources	96,717	66,034
Total revenues	<u>4,119,945</u>	<u>246,183</u>
Disbursements:		
Instruction	2,421,996	0
Support services	1,401,001	0
Non-instructional programs	0	229,773
Other expenditures	303,312	0
Total expenditures	<u>4,126,309</u>	<u>229,773</u>
Excess(deficiency) of receipts over(under) disbursements	(6,364)	16,410
Other financing sources, net	<u>0</u>	<u>0</u>
Excess(deficiency) of receipts and other financing sources over disbursements	(6,364)	16,410
Balance beginning of year	<u>583,156</u>	<u>43,099</u>
Balance end of year	<u>\$ 576,792</u>	<u>59,509</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,467,164	2,493,392	2,493,392	(26,228)
1,736,213	1,851,224	1,851,224	(115,011)
162,751	153,000	153,000	9,751
<u>4,366,128</u>	<u>4,497,616</u>	<u>4,497,616</u>	<u>(131,488)</u>
2,421,996	2,705,400	2,705,400	283,404
1,401,001	1,515,507	1,515,507	114,506
229,773	234,008	234,008	4,235
303,312	320,211	320,211	16,899
<u>4,356,082</u>	<u>4,775,126</u>	<u>4,775,126</u>	<u>419,044</u>
10,046	(277,510)	(277,510)	(287,556)
0	10,000	10,000	10,000
10,046	(267,510)	(267,510)	(277,556)
626,255	583,720	583,720	42,535
<u>636,301</u>	<u>316,210</u>	<u>316,210</u>	<u>320,091</u>

NORTH TAMA COUNTY 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	Modified Accrual Basis
Revenues	\$ 4,119,945	4,765	4,124,710
Expenditures	4,126,309	8,436	4,134,745
Net	(6,364)	(3,671)	(10,035)
Beginning fund balances	583,156	41,232	624,388
Ending fund balances	\$ 576,792	37,561	614,353

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 246,183	(643)	245,540
Expenditures	229,773	3,585	233,358
Income before capital contributions	16,410	(4,228)	12,182
Capital contributions	0	1,682	1,682
Change in net assets	16,410	(2,546)	13,864
Net assets beginning of year	43,099	29,245	72,344
Net assets end of year	\$ 59,509	26,699	86,208

NORTH TAMA COUNTY 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.

OTHER SUPPLEMENTAL INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue
ASSETS					
Cash and pooled investments	\$ 41,716	74,113	15,112	2,773	133,714
Receivables:					
Property tax:					
Current year delinquent	1,826	0	3,083	0	4,909
Succeeding year	82,000	0	120,917	0	202,917
Income surtax	0	0	46,040	0	46,040
TOTAL ASSETS	\$ 125,542	74,113	185,152	2,773	387,580
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 0	903	0	0	903
Deferred revenue:					
Succeeding year property tax	82,000	0	120,917	0	202,917
Income surtax	0	0	46,040	0	46,040
Total Liabilities	82,000	903	166,957	0	249,860
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	43,542	73,210	18,195	2,773	137,720
Total fund balances	43,542	73,210	18,195	2,773	137,720
TOTAL LIABILITIES AND FUND EQUITY	\$ 125,542	74,113	185,152	2,773	387,580

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds						
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 107,517	0	226,769	0	334,286	0	334,286
Other	103	202,407	223	431	203,164	0	203,164
State sources	536	0	905	0	1,441	0	1,441
TOTAL REVENUES	108,156	202,407	227,897	431	538,891	0	538,891
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	24,305	0	0	985	25,290	0	25,290
Other instruction	0	201,942	0	0	201,942	0	201,942
Support services:							
Student support services	3,266	0	0	0	3,266	0	3,266
Instructional staff	7,455	0	0	0	7,455	0	7,455
Administration services	6,758	0	70	0	6,828	0	6,828
Operation and maintenance of plant services	16,638	0	34,137	0	50,775	0	50,775
Student transportation	18,196	0	103,717	0	121,913	0	121,913
Central support services	871	0	0	0	871	0	871
Other expenditures:							
Facilities acquisitions	0	0	10,000	0	10,000	0	10,000
Long-term debt:							
Principal	0	0	0	0	0	127,500	127,500
Interest and fiscal charges	0	0	0	0	0	18,206	18,206
TOTAL EXPENDITURES	77,489	201,942	147,924	985	428,340	145,706	574,046
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	30,667	465	79,973	(554)	110,551	(145,706)	(35,155)
OTHER FINANCING SOURCES (USES):							
Transfers in	0	0	0	0	0	145,706	145,706
Transfers out	0	0	(145,706)	0	(145,706)	0	(145,706)
Total other financing sources (uses)	0	0	(145,706)	0	(145,706)	145,706	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	30,667	465	(65,733)	(554)	(35,155)	0	(35,155)
FUND BALANCE BEGINNING OF YEAR	12,875	72,745	83,928	3,327	172,875	0	172,875
FUND BALANCE END OF YEAR	\$ 43,542	73,210	18,195	2,773	137,720	0	137,720

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY 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
Musical	\$ 211	2,587	2,283	515
Instrumental Activity	1,709	2,400	3,490	619
Music Boosters	1,288	15,790	14,791	2,287
Music Boosters Investment	2,673	2,709	0	5,382
Youth Basketball	1,729	4,485	2,849	3,365
Athletics	16,655	74,310	78,146	12,819
Baseball/Softball	4,053	14,501	16,130	2,424
Nationals	10	1,874	1,360	524
Uniforms	4,243	418	3,036	1,625
Booster Club	6,638	14,863	15,221	6,280
Cheerleaders	237	597	430	404
FCCLA	122	5,598	4,769	951
Ind Arts Club	68	0	(1)	69
National Honor Society	78	1,045	579	544
Spanish Club	2,072	2,305	1,583	2,794
Speech Club	115	1,760	1,589	286
Student Council	2,151	17,768	16,299	3,620
Memory Book	(159)	1,731	1,534	38
Yearbook	4,290	12,916	12,675	4,531
JH Quest	2	0	0	2
JH Student Council	1,024	3,207	3,254	977
Interest	0	699	653	46
North Tama Dance Squad	1,311	2,515	2,251	1,575
Swing Show	666	2,708	2,456	918
Redhawks Readers	1,343	4	0	1,347
Playground Equipment	4,372	14	353	4,033
Art Club	2,075	3,608	3,525	2,158
FFA	519	1,422	1,962	(21)
PTO	9,688	1,740	2,544	8,884
PEP Club	331	1	37	295
Resident Artist	84	0	0	84
Athletic Improvement	17	271	0	288
Class of 2002	977	0	977	0
Class of 2003	27	0	0	27
Class of 2004	732	695	922	505
Class of 2005	311	6,009	4,696	1,624
Class of 2006	0	320	0	320
Elementary Pop Machine	1,083	1,537	1,549	1,071
Total	\$ 72,745	202,407	201,942	73,210

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY 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	\$ 92	330	422	0
Total assets	\$ 92	330	422	0
Liabilities				
Accounts payable	\$ 92	330	422	0
Total liabilities	\$ 92	330	422	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 OTHER ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2004

	Book				
	Fair	Jet	NT & S	Other	Total
ASSETS					
Cash and pooled investments	\$ 3,054	25,701	1,643	4,200	34,598
Total assets	3,054	25,701	1,643	4,200	34,598
LIABILITIES					
Total liabilities	0	0	0	0	0
NET ASSETS					
Unrestricted	3,054	25,701	1,643	4,200	34,598
Total net assets	\$ 3,054	25,701	1,643	4,200	34,598

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 OTHER ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2004

	Book Fair	Jet	NT & S	Other	Total
OPERATING REVENUE:					
Local sources:					
Charges for services	\$ 1,540	33,496	1,656	13,911	50,603
TOTAL OPERATING REVENUES	1,540	33,496	1,656	13,911	50,603
OPERATING EXPENSES:					
Instruction:					
Salaries	0	0	0	706	706
Benefits	0	0	0	95	95
Services	0	0	0	2,520	2,520
Supplies	2,550	20,656	1,058	7,890	32,154
TOTAL OPERATING EXPENSES	2,550	20,656	1,058	11,211	35,475
Change in net assets	(1,010)	12,840	598	2,700	15,128
Net assets beginning of year	4,064	12,861	1,045	1,500	19,470
Net assets end of year	\$ 3,054	25,701	1,643	4,200	34,598

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 OTHER ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2004

	Book	Jet
	Fair	Jet
Cash flows from operating activities:		
Cash received from miscellaneous operating activities	\$ 1,540	33,496
Cash payments to employees for services	0	0
Cash payments to suppliers for goods or services	(2,550)	(20,656)
Net cash provided by(used in) operating activities	(1,010)	12,840
Net increase(decrease) in cash and cash equivalents	(1,010)	12,840
Cash and cash equivalents at beginning of year	4,064	12,861
Cash and cash equivalents at end of year	\$ 3,054	25,701
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (1,010)	12,840
Net cash provided by(used in) operating activities	\$ (1,010)	12,840
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 3,054	25,701

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

<u>NT & S</u>	<u>Other</u>	<u>Total</u>
1,656	13,911	50,603
0	(801)	(801)
<u>(1,058)</u>	<u>(10,410)</u>	<u>(34,674)</u>
598	2,700	15,128
598	2,700	15,128
<u>1,045</u>	<u>1,500</u>	<u>19,470</u>
<u>1,643</u>	<u>4,200</u>	<u>34,598</u>
598	2,700	15,128
<u>598</u>	<u>2,700</u>	<u>15,128</u>
<u>1,643</u>	<u>4,200</u>	<u>34,598</u>

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,853,955	1,845,864	1,740,071	1,726,511
Tuition	148,428	104,748	86,107	77,521
Other	285,966	320,072	375,970	368,867
State sources	1,733,213	1,649,905	1,743,283	1,648,179
Federal sources	103,148	117,835	59,152	56,091
Total	<u>\$ 4,124,710</u>	<u>4,038,424</u>	<u>4,004,583</u>	<u>3,877,169</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,602,992	1,579,928	1,557,100	1,511,117
Special instruction	369,907	316,496	338,352	304,451
Other instruction	450,074	460,346	509,434	439,857
Support services:				
Student services	134,248	132,436	123,245	118,331
Instructional staff services	121,762	117,052	109,737	110,049
Administration services	569,093	543,487	518,463	483,136
Operation and maintenance of plant services	286,537	268,607	267,094	282,276
Transportation services	295,949	182,573	254,172	260,789
Central services	871	632	330	330
Other expenditures:				
Facilities acquisitions	10,000	0	17,270	189,406
Long-term debt:				
Principal	127,500	126,320	33,659	85,125
Interest and other charges	18,206	25,888	124,128	27,815
AEA flow-through	147,606	152,360	153,341	153,578
Total	<u>\$ 4,134,745</u>	<u>3,906,125</u>	<u>4,006,325</u>	<u>3,966,260</u>

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
North Tama County Community School District:

We have audited the financial statements of North Tama County Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 17, 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 North Tama County 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.

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

Internal Control Over Financial Reporting

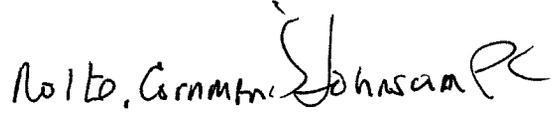
In planning and performing our audit, we considered North Tama County Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal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

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

reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

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


NOLTE, CORNMAN & JOHNSON, P.C.

August 17, 2004

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

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

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-04 Activity Admissions - The Activity gate admissions and change box were not reconciled with pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for activity admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response - Our facility does not lend itself to such a procedure. However, we will review our present procedures and consider the recommended reconciliation procedures.

Conclusion - Response accepted.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

II-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.

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

II-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.

II-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.

II-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
Cindy Dinsdale, Board Member Father-in-law owns Gas-N-Grub	Gas	\$3,142

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the father-in-law of the Board Member do not appear to represent a conflict of interest.

II-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.

II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

II-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.

II-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.