

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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New Hampton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Rick Holthaus	President	2006
Rich Goodwin	Vice President	2006
Clarence Kriener	Board Member	2005
David Utterback	Board Member	2005
George Feazell	Board Member	2004
Board of Education (After September 2004 Election)		
Rick Holthaus	President	2006
Rich Goodwin	Vice President	2006
Clarence Kriener	Board Member	2005
David Utterback	Board Member	2005
Deb Larsen	Board Member	2007
School Officials		
Terry Christie	Superintendent	2005
Janet Westendorf	District Secretary/Treasurer and Business Manager	2005
Judy O'Donohoe	Attorney	2005
Steve Weidner	Chief Negotiation/ Spokesperson	2005

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Hampton Community School District, New Hampton, Iowa as of and for the year ended June 30, 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Hampton Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2005 on our consideration of the New Hampton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 37 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise New Hampton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

August 17, 2005

BASIC FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

New Hampton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,424,533 in fiscal 2004 to \$8,738,743 in fiscal 2005, while General Fund expenditures increased from \$8,208,676 in fiscal 2004 to \$8,227,689 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$372,808 in fiscal 2004 to a balance of \$883,862 in fiscal 2005, a 137.08% increase from the prior year.
- The increase in General Fund revenues was attributable to a increase in state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- A increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$11,638 in fiscal year 2004 to \$68,899 in fiscal year 2005.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

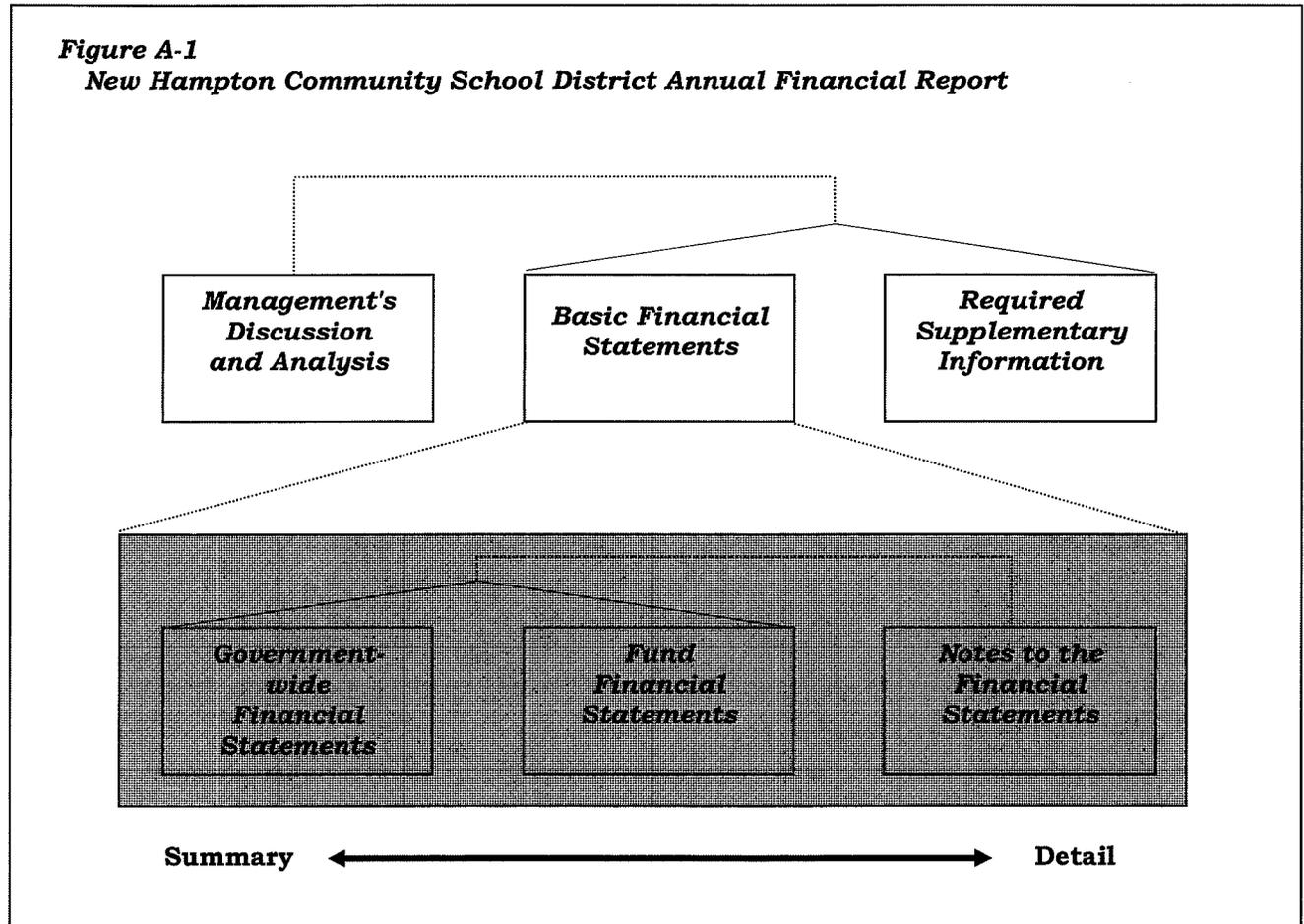


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 7,498,643	7,096,683	45,651	64,662	7,544,294	7,161,345	5.08%
Capital assets	7,220,378	7,339,218	2,196	3,164	7,222,574	7,342,382	-1.66%
Total assets	14,719,021	14,435,901	47,847	67,826	14,766,868	14,503,727	1.78%
Long-term obligations	2,486,592	3,061,731	0	0	2,486,592	3,061,731	-23.13%
Other liabilities	5,461,684	5,880,123	5,917	7,309	5,467,601	5,887,432	-7.68%
Total liabilities	7,948,276	8,941,854	5,917	7,309	7,954,193	8,949,163	-12.51%
Net assets:							
Invested in capital assets, net of related debt	5,067,426	4,629,653	2,196	3,164	5,069,622	4,632,817	8.62%
Restricted	526,180	266,770	0	0	526,180	266,770	49.30%
Unrestricted	1,177,139	597,624	39,734	57,353	1,216,873	654,977	46.18%
Total net assets	\$ 6,770,745	5,494,047	41,930	60,517	6,812,675	5,554,564	18.47%

The District's combined net assets increased by 18.47%, or \$1,258,111, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$259,410, or 49.30% over the prior year. The increase was primarily a result of the District increase in the local option sales and services tax fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$561,896, or 46.18%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance along with the increase in the instructional support levy.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
	Revenues:						
Program revenues:							
Charges for services	\$ 692,580	769,635	235,453	229,667	928,033	999,302	-7.13%
Operating grants and contributions and restricted interest	1,246,789	1,144,515	151,282	159,772	1,398,071	1,304,287	7.19%
Capital grants and contributions and restricted interest	505,427	470,069	0	0	505,427	470,069	7.52%
General revenues:							
Property tax	4,372,820	4,375,929	0	0	4,372,820	4,375,929	-0.07%
Local option sales and services tax	587,065	389,593	0	0	587,065	389,593	50.69%
Unrestricted state grants	3,468,974	3,311,875	0	0	3,468,974	3,311,875	4.74%
Other	86,843	45,638	869	201	87,712	45,839	91.35%
Total revenues	10,960,498	10,507,254	387,604	389,640	11,348,102	9,897,592	14.66%
Program expenses:							
Governmental activities:							
Instructional	6,203,749	6,115,100	0	0	6,203,749	6,115,100	1.45%
Support services	2,382,425	2,468,478	0	0	2,382,425	2,468,478	-3.49%
Non-instructional programs	0	0	406,191	383,244	406,191	383,244	5.99%
Other expenses	1,097,626	1,594,530	0	0	1,097,626	1,594,530	-31.16%
Total expenses	9,683,800	10,178,108	406,191	383,244	10,089,991	10,561,352	-4.46%
Changes in net assets	1,276,698	329,146	(18,587)	6,396	1,258,111	(663,760)	-289.54%
Beginning net assets	5,494,047	5,164,901	60,517	54,121	5,554,564	5,219,022	6.43%
Ending net assets	\$ 6,770,745	5,494,047	41,930	60,517	6,812,675	4,555,262	49.56%

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

The most significant change in revenues was due to the increase in unrestricted investment earnings. An increase in Local Option Sales and Services Tax monies was also noted due to the first complete year of funding.

The most significant fluctuation in expenditure levels was caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements. The other expenses decreased due to the decrease in capital improvements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the increase in expenditures, demonstrating an increase in the financial position for the year.

Governmental Activities

Revenues for governmental activities were \$10,960,498 and expenses were \$9,683,800.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 6,203,749	4,650,837
Support services	2,382,425	2,343,795
Other expenses	1,097,626	244,372
Totals	<u>\$ 9,683,800</u>	<u>7,239,004</u>

- The cost financed by users of the District's programs was \$692,580.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,752,216.
- The net cost of governmental activities was financed with \$4,372,820 in property tax, \$587,065 in local option sales and services tax, \$3,468,974 in state foundation aid and \$86,843 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$387,604 and expenses were \$406,191. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,749,147, above last year's ending fund balances of a \$979,759. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to increased state and federal funding in the General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position from \$372,808 to \$883,862 is the product of many factors:
 - Increases in state aid and federal grant revenues received during the year resulted in a increase in revenues.
 - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.

- The Capital Projects Fund balance increased from \$114,251 in fiscal 2004 to \$209,424 in fiscal 2005. The Capital Projects Fund balance increased due to increased local option sales tax revenues and contributions received for construction projects.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$60,517 at June 30, 2004 to \$41,930 at June 30, 2005, representing a decrease of 30.71%.

BUDGETARY HIGHLIGHTS

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

The District's revenues were \$869,254 more than budgeted revenues, a variance of 8.28%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$7,222,574, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$375,400.

The original cost of the District's capital assets was \$13.3 million. Governmental funds account for \$13.2 million with the remainder of \$0.1 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$486,484 at June 30, 2005, compared to \$226,658 reported at June 30, 2004. This increase resulted from capitalization of new capital assets, including an all-weather track, less current year depreciation.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 381,700	381,700	0	0	381,700	381,700	0.00%
Buildings	5,955,017	6,117,515	0	0	5,955,017	6,117,515	-2.73%
Land improvements	486,484	226,658	0	0	486,484	226,658	53.41%
Machinery and equipment	397,177	613,345	2,196	3,164	399,373	616,509	-54.37%
Total	\$ 7,220,378	7,339,218	2,196	3,164	7,222,574	7,342,382	-1.66%

Long-Term Debt

At June 30, 2005, the District had \$2,486,592 in general obligation and other long-term debt outstanding. This represents a decrease of 18.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$2,375,000 at June 30, 2005.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$111,592 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 2,375,000	2,910,000	-18.4%
Early retirement	111,592	151,731	-26.5%
Totals	<u>\$ 2,486,592</u>	<u>3,061,731</u>	<u>-18.8%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 1,285,820	0	1,285,820
Other	1,708,786	26,742	1,735,528
Receivables:			
Property tax:			
Delinquent	52,947	0	52,947
Succeeding year	3,983,075	0	3,983,075
Income surtax	303,405	0	303,405
Accounts	207	0	207
Accrued ISCAP interest (Note 4)	9,235	0	9,235
Due from other governments	155,168	0	155,168
Inventories	0	18,909	18,909
Capital assets, net of accumulated depreciation (Note 5)	7,220,378	2,196	7,222,574
TOTAL ASSETS	14,719,021	47,847	14,766,868
LIABILITIES			
Accounts payable	157,807	249	158,056
Salaries and benefits payable	2,073	0	2,073
ISCAP warrants payable (Note 4)	1,281,000	0	1,281,000
ISCAP accrued interest payable (Note 4)	9,947	0	9,947
ISCAP unamortized premium	12,189	0	12,189
Interest payable	15,593	0	15,593
Deferred revenue:			
Succeeding year property tax	3,983,075	0	3,983,075
Other	0	5,668	5,668
Long-term liabilities (Note 6):			
Portion due within one year:			
Bonds payable	560,000	0	560,000
Early retirement payable	20,000	0	20,000
Portion due after one year:			
Bonds payable	1,815,000	0	1,815,000
Early retirement payable	91,592	0	91,592
TOTAL LIABILITIES	7,948,276	5,917	7,954,193
NET ASSETS			
Investment in capital assets, net of related debt	5,067,426	2,196	5,069,622
Restricted for:			
Talented and gifted	10,128	0	10,128
Capital projects	209,424	0	209,424
Management levy	44,896	0	44,896
Physical plant and equipment levy	89,443	0	89,443
Other special revenue purposes	172,289	0	172,289
Unrestricted	1,177,139	39,734	1,216,873
TOTAL NET ASSETS	\$ 6,770,745	41,930	6,812,675

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Program Revenues			Expenses
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,986,826	198,717	819,789	0
Special instruction	1,423,991	48,864	59,089	0
Other instruction	792,932	426,453	0	0
	<u>6,203,749</u>	<u>674,034</u>	<u>878,878</u>	<u>0</u>
Support services:				
Student services	168,789	0	0	0
Instructional staff services	292,364	0	0	0
Administration services	778,861	0	0	0
Operation and maintenance of plant services	651,956	0	0	0
Transportation services	490,455	18,546	20,084	0
	<u>2,382,425</u>	<u>18,546</u>	<u>20,084</u>	<u>0</u>
Other expenditures:				
Facilities acquisition	411,505	0	0	505,427
Long-term debt interest	111,295	0	0	0
AEA flowthrough	347,827	0	347,827	0
Depreciation (unallocated)*	226,999	0	0	0
	<u>1,097,626</u>	<u>0</u>	<u>347,827</u>	<u>505,427</u>
Total governmental activities	9,683,800	692,580	1,246,789	505,427
Business-Type activities:				
Non-instructional programs:				
Nutrition services	406,191	235,453	151,282	0
Total business-type activities	<u>406,191</u>	<u>235,453</u>	<u>151,282</u>	<u>0</u>
Total	<u>\$ 10,089,991</u>	<u>928,033</u>	<u>1,398,071</u>	<u>505,427</u>

General Revenues:

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

Total general revenues

Changes in net assets

Net assets beginning of year

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
(2,968,320)	0	(2,968,320)
(1,316,038)	0	(1,316,038)
(366,479)	0	(366,479)
<u>(4,650,837)</u>	<u>0</u>	<u>(4,650,837)</u>
(168,789)	0	(168,789)
(292,364)	0	(292,364)
(778,861)	0	(778,861)
(651,956)	0	(651,956)
(451,825)	0	(451,825)
<u>(2,343,795)</u>	<u>0</u>	<u>(2,343,795)</u>
93,922	0	93,922
(111,295)	0	(111,295)
0	0	0
(226,999)	0	(226,999)
<u>(244,372)</u>	<u>0</u>	<u>(244,372)</u>
(7,239,004)	0	(7,239,004)
0	(19,456)	(19,456)
<u>0</u>	<u>(19,456)</u>	<u>(19,456)</u>
<u>(7,239,004)</u>	<u>(19,456)</u>	<u>(7,258,460)</u>
\$ 3,855,157	0	3,855,157
101,050	0	101,050
416,613	0	416,613
587,065	0	587,065
3,468,974	0	3,468,974
86,843	869	87,712
<u>8,515,702</u>	<u>869</u>	<u>8,516,571</u>
1,276,698	(18,587)	1,258,111
5,494,047	60,517	5,554,564
<u>\$ 6,770,745</u>	<u>41,930</u>	<u>6,812,675</u>

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 1,285,820	0	0	1,285,820
Other	831,760	229,703	647,323	1,708,786
Receivables:				
Property tax				
Delinquent	43,186	0	9,761	52,947
Succeeding year	3,194,518	0	788,557	3,983,075
Income surtax	303,405	0	0	303,405
Accounts	207	0	0	207
Accrued ISCAP interest(Note 4)	9,235	0	0	9,235
Due from other governments	61,247	93,921	0	155,168
TOTAL ASSETS	\$ 5,729,378	323,624	1,445,641	7,498,643
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 42,384	114,200	1,223	157,807
Salaries and benefits payable	2,073	0	0	2,073
ISCAP warrants payable(Note 4)	1,281,000	0	0	1,281,000
ISCAP accrued interest payable(Note 4)	9,947	0	0	9,947
ISCAP unamortized premium	12,189	0	0	12,189
Deferred revenue:				
Succeeding year property tax	3,194,518	0	788,557	3,983,075
Income surtax	303,405	0	0	303,405
Total liabilities	4,845,516	114,200	789,780	5,749,496
Fund balances:				
Reserved:				
Debt service	0	0	237,641	237,641
Talented and gifted	10,128	0	0	10,128
Unreserved:				
Undesignated:				
General	873,734	0	0	873,734
Capital projects	0	209,424	0	209,424
Management levy	0	0	156,488	156,488
Physical plant and equipment levy	0	0	89,443	89,443
Other special revenue purposes	0	0	172,289	172,289
Total fund balances	883,862	209,424	655,861	1,749,147
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,729,378	323,624	1,445,641	7,498,643

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds (page 16)	\$ 1,749,147
 <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.	7,220,378
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	303,405
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.	(15,593)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,486,592)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 6,770,745</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,602,274	587,065	723,012	4,912,351
Tuition	247,581	0	0	247,581
Other	173,717	518,408	345,144	1,037,269
Intermediate sources	3,284	0	0	3,284
State sources	4,123,306	0	592	4,123,898
Federal sources	588,581	0	0	588,581
Total revenues	<u>8,738,743</u>	<u>1,105,473</u>	<u>1,068,748</u>	<u>10,912,964</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	3,722,017	0	111,539	3,833,556
Special instruction	1,423,451	0	0	1,423,451
Other instruction	469,259	0	323,673	792,932
	<u>5,614,727</u>	<u>0</u>	<u>435,212</u>	<u>6,049,939</u>
Support services:				
Student services	175,843	0	0	175,843
Instructional staff services	292,364	0	0	292,364
Administration services	783,011	0	2,250	785,261
Operation and maintenance of plant services	555,135	0	92,821	647,956
Transportation services	458,782	0	0	458,782
	<u>2,265,135</u>	<u>0</u>	<u>95,071</u>	<u>2,360,206</u>
Other expenditures:				
Facilities acquisitions	0	645,102	90,730	735,832
Long-term debt:				
Principal	0	0	535,000	535,000
Interest and fiscal charges	0	0	114,772	114,772
AEA flowthrough	347,827	0	0	347,827
	<u>347,827</u>	<u>645,102</u>	<u>740,502</u>	<u>1,733,431</u>
Total expenditures	<u>8,227,689</u>	<u>645,102</u>	<u>1,270,785</u>	<u>10,143,576</u>
Excess(deficiency) of revenues over(under) expenditures	511,054	460,371	(202,037)	769,388
Other financing sources(uses):				
Transfers in	0	0	365,198	365,198
Transfers out	0	(365,198)	0	(365,198)
Total other financing sources(uses)	<u>0</u>	<u>(365,198)</u>	<u>365,198</u>	<u>0</u>
Net change in fund balances	511,054	95,173	163,161	769,388
Fund balance beginning of year	<u>372,808</u>	<u>114,251</u>	<u>492,700</u>	<u>979,759</u>
Fund balance end of year	<u>\$ 883,862</u>	<u>209,424</u>	<u>655,861</u>	<u>1,749,147</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2005

Net change in fund balances - total governmental funds (page 18)		\$ 769,388
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense and loss on disposal in the current year, as follows:</p>		
Expenditures for capital assets	\$ 464,909	
Depreciation expense	(374,432)	
Loss on disposal of capital assets	<u>(209,317)</u>	(118,840)
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		47,534
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		535,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		3,477
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early Retirement		<u>40,139</u>
Changes in net assets of governmental activities (page 15)		<u>\$ 1,276,698</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	School Nutrition
ASSETS	
Cash and pooled investments	\$ 26,742
Inventories	18,909
Capital assets, net of accumulated depreciation(Note 5)	2,196
TOTAL ASSETS	47,847
 LIABILITIES	
Accounts payable	249
Deferred revenue:	
Other	5,668
TOTAL LIABILITIES	5,917
 NET ASSETS	
Investment in capital assets, net of related debt	2,196
Unrestricted	39,734
TOTAL NET ASSETS	\$ 41,930

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 235,453
TOTAL OPERATING REVENUES	235,453
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	161,200
Benefits	52,997
Services	4,303
Supplies	186,723
Depreciation	968
TOTAL OPERATING EXPENSES	406,191
OPERATING LOSS	(170,738)
NON-OPERATING REVENUES:	
State sources	5,961
Federal sources	145,321
Interest income	869
TOTAL NON-OPERATING REVENUES	152,151
Change in net assets	(18,587)
Net assets beginning of year	60,517
Net assets end of year	\$ 41,930

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 232,812
Cash received from miscellaneous sources	1,953
Cash payments to employees for services	(214,197)
Cash payments to suppliers for goods or services	(154,205)
Net cash used in operating activities	(133,637)
Cash flows from non-capital financing activities:	
State grants received	5,961
Federal grants received	113,785
Net cash provided by non-capital financing activities	119,746
Cash flows from investing activities:	
Interest on investments	869
Net cash provided by investing activities	869
Net decrease in cash and cash equivalents	(13,022)
Cash and cash equivalents at beginning of year	39,764
Cash and cash equivalents at end of year	\$ 26,742
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (170,738)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	31,536
Depreciation	968
Decrease in inventories	5,989
Decrease in accounts payable	(704)
Decrease in deferred revenue	(688)
Net cash used in operating activities	\$ (133,637)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 26,742
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2005, the District received Federal commodities valued at \$31,536.

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(1) **Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

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

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

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

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

Salaries and Benefits Payable - Payroll and related expenditures for 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, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments at June 30, 2005.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 365,198</u>

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

(4) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is

based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/04	6/30/05	\$ 177	0	0	0
2004-05B	1/28/05	1/27/06	671,936	9,104	670,000	9,830
2005-06A	6/28/05	6/28/06	613,707	131	611,000	117
			<u>\$ 1,285,820</u>	<u>9,235</u>	<u>1,281,000</u>	<u>9,947</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund was noted for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ 0	135,000	135,000	0

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	2.280%
2005-06A	3.500%	3.903%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 381,700	0	0	381,700
Total capital assets not being depreciated	<u>381,700</u>	<u>0</u>	<u>0</u>	<u>381,700</u>
Capital assets being depreciated:				
Buildings	9,108,255	35,022	0	9,143,277
Land improvements	430,263	289,305	0	719,568
Machinery and equipment	3,474,440	140,582	623,566	2,991,456
Total capital assets being depreciated	<u>13,012,958</u>	<u>464,909</u>	<u>623,566</u>	<u>12,854,301</u>
Less accumulated depreciation for:				
Buildings	2,990,740	197,520	0	3,188,260
Land improvements	203,605	29,479	0	233,084
Machinery and equipment	2,861,095	147,433	414,249	2,594,279
Total accumulated depreciation	<u>6,055,440</u>	<u>374,432</u>	<u>414,249</u>	<u>6,015,623</u>
Total capital assets being depreciated, net	<u>6,957,518</u>	<u>90,477</u>	<u>209,317</u>	<u>6,838,678</u>
Governmental activities capital assets, net	<u>\$ 7,339,218</u>	<u>90,477</u>	<u>209,317</u>	<u>7,220,378</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 85,682	0	0	85,682
Less accumulated depreciation	82,518	968	0	83,486
Business-type activities capital assets, net	<u>\$ 3,164</u>	<u>(968)</u>	<u>0</u>	<u>2,196</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 48,744
Other		3,548
Support services:		
Operation and maintenance		4,000
Transportation		91,141
		<u>147,433</u>
Unallocated depreciation		<u>226,999</u>
Total governmental activities depreciation expense		<u>\$ 374,432</u>
Business-type activities:		
Food services		<u>\$ 968</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,910,000	0	535,000	2,375,000	560,000
Early retirement	151,731	0	40,139	111,592	20,000
Total	\$ 3,061,731	0	575,139	2,486,592	580,000

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 1, 1998			
	Interest Rates	Principal	Interest	Total
2006	3.90 %	\$ 560,000	93,558	653,558
2007	3.90	580,000	71,718	651,718
2008	3.95	605,000	49,098	654,098
2009	4.00	630,000	25,200	655,200
Total		\$ 2,375,000	239,574	2,614,574

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay per individual. Early retirement benefits paid during the year ended June 30, 2005, totaled \$40,139. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$300,859, \$301,359, and \$304,844 respectively, equal to the required contributions for each year.

(8) Risk Management

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

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to NEIST for the year ended June 30, 2005 were \$1,062,581.

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

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the District's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage.

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

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$347,827 for the year ended June 30, 2005 and is recorded in the General Fund

by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Types Actual
Receipts:		
Local sources	\$ 6,115,138	235,634
Intermediate sources	2,944	0
State sources	4,159,038	5,961
Federal sources	705,515	145,321
Total receipts	<u>10,982,635</u>	<u>386,916</u>
Disbursements:		
Instruction	6,181,250	0
Support services	2,182,814	0
Non-instructional programs	0	399,938
Other expenditures	1,721,125	0
Total disbursements	<u>10,085,189</u>	<u>399,938</u>
Excess (deficiency) of receipts over (under) disbursements	897,446	(13,022)
Balance beginning of year	<u>811,340</u>	<u>39,764</u>
Balance end of year	<u>\$ 1,708,786</u>	<u>26,742</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
6,350,772	5,670,294	5,670,294	680,478
2,944	3,900	3,900	(956)
4,164,999	4,225,109	4,225,109	(60,110)
850,836	600,994	600,994	249,842
<u>11,369,551</u>	<u>10,500,297</u>	<u>10,500,297</u>	<u>869,254</u>
6,181,250	6,131,447	6,200,000	18,750
2,182,814	2,486,868	2,700,000	517,186
399,938	594,089	700,000	300,062
1,721,125	1,409,827	2,300,000	578,875
<u>10,485,127</u>	<u>10,622,231</u>	<u>11,900,000</u>	<u>1,414,873</u>
884,424	(121,934)	(1,399,703)	2,284,127
851,104	456,534	456,534	394,570
<u>1,735,528</u>	<u>334,600</u>	<u>(943,169)</u>	<u>2,678,697</u>

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Funds		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 10,982,635	(69,671)	10,912,964
Expenses	10,085,189	58,387	10,143,576
Net	897,446	(128,058)	769,388
Beginning fund balances	811,340	168,419	979,759
Ending fund balances	\$ 1,708,786	40,361	1,749,147

	Proprietary Funds		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 386,916	688	387,604
Expenses	399,938	6,253	406,191
Net	(13,022)	(5,565)	(18,587)
Beginning net assets	39,764	20,753	60,517
Ending net assets	\$ 26,742	15,188	41,930

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,277,769.

OTHER SUPPLEMENTAL INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds				Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds		
ASSETS						
Cash and pooled investments	\$ 153,781	173,512	88,127	415,420	231,903	647,323
Receivables:						
Property tax						
Current year delinquent	2,707	0	1,316	4,023	5,738	9,761
Succeeding year	270,000	0	104,799	374,799	413,758	788,557
TOTAL ASSETS	\$ 426,488	173,512	194,242	794,242	651,399	1,445,641
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 0	1,223	0	1,223	0	1,223
Deferred revenue:						
Succeeding year property tax	270,000	0	104,799	374,799	413,758	788,557
	270,000	1,223	104,799	376,022	413,758	789,780
Fund equity:						
Fund balances:						
Reserved for debt service	0	0	0	0	237,641	237,641
Unreserved, undesignated	156,488	172,289	89,443	418,220	0	418,220
	156,488	172,289	89,443	418,220	237,641	655,861
TOTAL LIABILITIES AND FUND EQUITY	\$ 426,488	173,512	194,242	794,242	651,399	1,445,641

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds				Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds		
REVENUES:						
Local sources:						
Local tax	\$ 205,349	0	101,050	306,399	416,613	723,012
Other	26,789	318,355	0	345,144	0	345,144
State sources	164	0	80	244	348	592
TOTAL REVENUES	232,302	318,355	101,130	651,787	416,961	1,068,748
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	111,539	0	0	111,539	0	111,539
Other instruction	0	323,673	0	323,673	0	323,673
Support services:						
Administration services	2,250	0	0	2,250	0	2,250
Operation and maintenance of plant services	92,821	0	0	92,821	0	92,821
Other expenditures:						
Facilities acquisition	0	0	90,730	90,730	0	90,730
Long-term debt:						
Principal	0	0	0	0	535,000	535,000
Interest and fiscal charges	0	0	0	0	114,772	114,772
TOTAL EXPENDITURES	206,610	323,673	90,730	621,013	649,772	1,270,785
Excess(deficiency) of revenues over(under) expenditures	25,692	(5,318)	10,400	30,774	(232,811)	(202,037)
OTHER FINANCING SOURCES:						
Transfers in	0	0	0	0	365,198	365,198
TOTAL OTHER FINANCING SOURCES	0	0	0	0	365,198	365,198
Excess(deficiency) of revenues and other financing sources over(under) expenditures	25,692	(5,318)	10,400	30,774	132,387	163,161
FUND BALANCES BEGINNING OF YEAR	130,796	177,607	79,043	387,446	105,254	492,700
FUND BALANCES END OF YEAR	\$ 156,488	172,289	89,443	418,220	237,641	655,861

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Staff Recognition Program	\$ (32)	1,000	954	14
Academic Award Letter	2,226	0	0	2,226
Camp EWALU	1	0	0	1
Drama	(69)	1,321	1,248	4
Speech	2	0	2	0
National Honor Society	9	34	40	3
Pepsi Contract	66,551	0	12,373	54,178
Annual	(4)	12,787	12,791	(8)
Chieftain	284	0	0	284
Advance Placement Exam	993	730	724	999
Vocal Music	3,008	3,018	2,084	3,942
Instrumental Music	2,527	2,329	1,886	2,970
Swing Choir	906	839	1,153	592
Band Trip	362	0	0	362
Future Educators	0	318	186	132
Art Club	81	0	0	81
AFS	2,941	0	476	2,465
Writers Club	142	0	0	142
Science Achievement Club	8	0	0	8
BAC	670	106	101	675
FFA	884	10,964	8,932	2,916
SADD	911	3,727	3,043	1,595
Student Senate	7,202	21,045	23,697	4,550
Class of 2006	6,073	234	3,880	2,427
Class of 2007	351	15,906	9,379	6,878
Class of 2004	1,465	0	1,465	0
Class of 2011	3,410	2,836	(9)	6,255
Class of 2012	0	3,961	0	3,961
Class of 2005	4,031	435	4,334	132
HS Lounge	0	0	(10)	10
Class of 2008	195	215	409	1
Class of 2009	7,058	56,009	63,058	9
Picture	1,530	0	(50)	1,580
Scholarship	1,500	0	1,500	0
Class of 2010	5,520	4,971	(25)	10,516
Activity Tickets	338	12,764	13,100	2
Lettermen	2,524	4,586	4,258	2,852
Letterette	1,401	533	260	1,674
Pom Pon	(518)	5,929	5,391	20
Cheerleaders	5	902	907	0
Pep Club	10	0	0	10
Boys Basketball	193	0	193	0
Athletics	(976)	104,338	103,971	(609)
Baseball	(235)	0	(235)	0
Boys Track	5	0	5	0
NEIC Athletic Conference	4	0	4	0

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High School Accounts(Continued):				
Boys Golf	5	0	5	0
NEIC Athletic Directors	1,629	4,843	5,073	1,399
Wrestling	5	0	5	0
Girls Basketball	15	0	15	0
Volleyball	68	0	68	0
Softball	(489)	253	(236)	0
Girls Track	3	0	3	0
Girls Golf	2	0	2	0
Pop and Candy	121	6,006	6,100	27
Miscellaneous	1,245	4,331	5,051	525
Vocal Music	162	0	20	142
MS Musical	8,819	2,928	2,685	9,062
Annual	2,453	3,128	2,800	2,781
MS Music	3	823	213	613
Student Senate	4,991	13,215	12,909	5,297
Picture	125	0	0	125
OM/DI Activity	4,331	19	(349)	4,699
Cheerleaders	229	0	229	0
Football	(318)	0	(318)	0
Boys Basketball	4	0	4	0
Boys Track	1	0	1	0
Wrestling	1	0	1	0
Volleyball	50	0	50	0
Girls Basketball	3	0	3	0
Girls Track	82	0	82	0
MS Athletic Pop	562	114	660	16
Elementary Student Council Books	18	0	0	18
Picture	2,512	0	0	2,512
Lounge	2,833	493	469	2,857
Elementary Carnival	15,379	6,845	3,098	19,126
Student Assisance Fund	1	0	1	0
Book Fair	659	0	0	659
Box Top for Education	2,785	2,930	1,025	4,690
Elementary Playground	5,831	590	2,529	3,892
Total	\$ 177,607	318,355	323,673	172,289

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 12,362	57,027	69,389	0
LIABILITIES				
Accounts payable	\$ 2,829	0	2,829	0
Due to other groups	9,533	57,027	66,560	0
Total liabilities	\$ 12,362	57,027	69,389	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 4,912,351	4,760,526	4,588,232	3,867,115
Tuition	247,581	223,477	216,456	208,263
Other	1,037,269	591,796	1,385,390	469,813
Intermediate sources	3,284	4,234	3,865	4,732
State sources	4,123,898	4,000,492	4,180,273	4,306,987
Federal sources	588,581	921,733	362,418	232,968
Total	\$ 10,912,964	10,502,258	10,736,634	9,089,878
Expenditures:				
Instruction:				
Regular instruction	\$ 3,833,556	3,812,527	3,842,423	3,870,660
Special instruction	1,423,451	1,356,551	1,303,074	1,365,087
Other instruction	792,932	877,351	774,912	765,483
Support services:				
Student services	175,843	241,523	237,987	316,158
Instructional staff services	292,364	280,984	272,201	288,124
Administration services	785,261	751,760	671,847	656,731
Operation and maintenance of plant services	647,956	637,681	834,897	584,477
Transportation services	458,782	467,772	486,960	499,895
Non-instructional programs	0	0	0	43,484
Other expenditures:				
Facilities acquisitions	735,832	1,611,810	268,859	443,776
Long-term debt:				
Principal	535,000	510,000	485,000	460,000
Interest and other charges	114,772	134,357	152,713	169,198
AEA flow-through	347,827	353,290	377,666	381,176
Total	\$ 10,143,576	11,035,606	9,708,539	9,844,249

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

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Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of New Hampton Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 17, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Hampton Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Hampton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

August 17, 2005

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

II-B-05 Student Activity Fund - We noted during our audit of the Student Activity Fund some various accounts that should be allocated to a student run organization or club. There is also a Pepsi Contract account that should be closed and moved to the General fund.

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

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

Conclusion - Response accepted.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

- II-A-05 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, 2005.
- II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.
- II-C-05 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-05 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-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Wanda Batchelder, Media Specialist Owner of House of Flowers	Supplies	\$350
Anita Quirk, Teacher Spouse owns New Hampton Electric	Repairs/Supplies	\$2,702
Carolyn Huber, Teacher Spouse owns NAPA Auto Parts	Supplies	\$2
Dave Gorman, Custodian Owner of Dave's Locksmith	Line Striping	\$286
Terry Phillips, Cook Spouse owns Phillips Refrigeration	Repairs	\$456
Linda Schwickerath, Secretary Spouse owns Office World	Office Supplies	\$41,647
Marilyn Stanton, Cook Spouse owns Stanton Electric	Repairs/Supplies	\$1,474
Ruth Straw, Lunch Manager Owns Chaffs	Food	\$147

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

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

- II-F-05 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-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-05 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-05 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.