

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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North Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2004 Election)</b>		
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

<b>Board of Education (After September 2004 Election)</b>		
John Hayek	President	2005
Dave Stuart	Vice President	2006
Richard Arp	Board Member	2005
Judy Robb	Board Member	2006
Gretchen Pargeon	Board Member	2006
Diane Panfil	Board Member	2007
Barb Kopriva	Board Member	2007

<b>School Officials</b>		
Tom McDermott	Superintendent	2005
Nancy Gee	District Secretary/ Business Manager	2005
Roan, Powell & Reinders	Attorney	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  
North Tama County 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 North Tama County Community School District, Traer Iowa, 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. 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 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 North Tama County 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 12, 2005 on our consideration of North Tama County 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 13 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, 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 EC  
NOLTE, CORNMAN & JOHNSON, P.C.

August 12, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 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 \$3,585,819 in fiscal 2004 to \$3,816,054 in fiscal 2005, while General Fund expenditures also increased from \$3,560,699 in fiscal 2004 to \$3,828,178 in fiscal 2005. This resulted in a decrease in the District's fund balance from \$476,633 in fiscal 2004 to \$464,509 in fiscal 2005, which was a 2.5% decrease from the prior year.
- The largest factor in the increased revenue was the increase in state aid from \$1,425,711 in fiscal 2004 to \$1,543,630 in fiscal 2005. There was also an increase in tuition during the fiscal year from \$148,428 to \$197,307.
- The largest increases in expenditures were in employee salaries and benefits from \$2,673,339 to \$2,730,601. These increases along with purchase of new equipment during the year were the major reasons for the increase in expenditures.

### **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 the School District.

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.

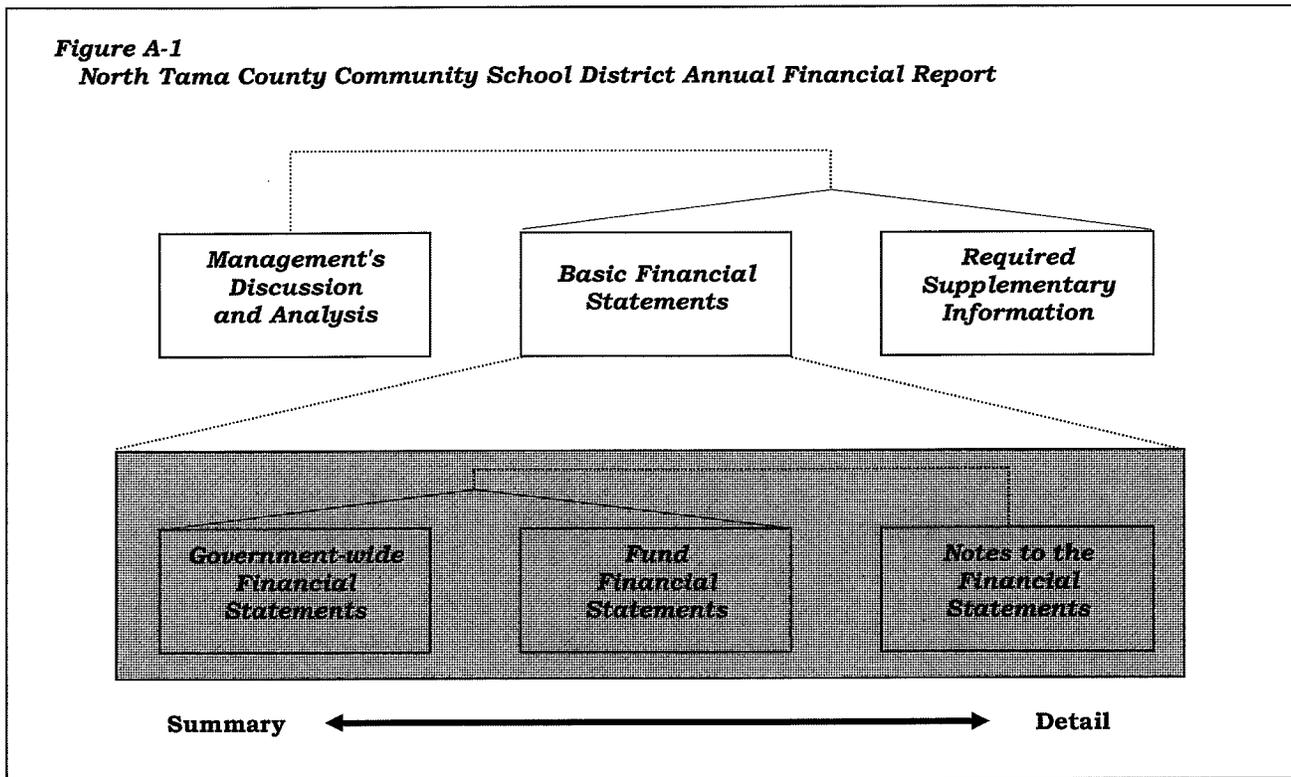


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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## 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 two 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; Capital Projects; 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 two enterprise funds, the School Nutrition Fund and other Enterprise Funds, which includes the Book Fair, Jet and NT & S funds.

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.

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.

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	\$ 2,594,207	2,880,244	\$ 21,823	64,738	\$ 2,616,030	2,944,982	-11.17%
Capital assets	1,640,907	1,090,892	30,195	22,395	1,671,102	1,113,287	50.11%
Total assets	4,235,114	3,971,136	52,018	87,133	4,287,132	4,058,269	5.64%
Long-term obligations	62,913	217,545	0	0	62,913	217,545	-71.08%
Other liabilities	1,684,158	2,130,427	1,544	925	1,685,702	2,131,352	-20.91%
Total liabilities	1,747,071	2,347,972	1,544	925	1,748,615	2,348,897	-25.56%
Net assets:							
Invested in capital assets, net of related debt	1,598,354	974,971	30,195	22,395	1,628,549	997,366	63.28%
Restricted	395,304	158,404	0	0	395,304	158,404	149.55%
Unrestricted	494,385	489,789	20,279	63,813	514,664	553,602	-7.03%
Total net assets	\$ 2,488,043	1,623,164	\$ 50,474	86,208	\$ 2,538,517	1,709,372	48.51%

The District's combined net assets increased by nearly 50% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent 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 approximately 150% over the prior year. The increase was primarily a result of the District starting to receive local option sales and service tax monies during the current year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased approximately 7.03% or \$38,938 from the prior year. This reduction in

unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

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
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 556,534	428,359	\$ 182,522	176,224	739,056	604,583	22.24%
Operating grants and contributions and restricted interest	502,335	386,832	64,356	69,034	566,691	455,866	24.31%
<b>General revenues:</b>							
Property tax	1,773,490	1,855,041	0	0	1,773,490	1,855,041	-4.40%
Local option sales and service tax	154,546	0	0	0	154,546	0	0.00%
Unrestricted state grants	1,559,733	1,449,529	0	0	1,559,733	1,449,529	7.60%
Unrestricted investment earnings	12,949	6,035	150	282	13,099	6,317	107.36%
<b>Total revenues</b>	<b>4,559,587</b>	<b>4,125,796</b>	<b>247,028</b>	<b>245,540</b>	<b>4,806,615</b>	<b>4,371,336</b>	<b>9.96%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	2,632,653	2,423,193	73,452	0	2,706,105	2,423,193	11.68%
Support services	1,341,326	1,355,202	0	0	1,341,326	1,355,202	-1.02%
Non-instructional programs	0	0	209,310	233,358	209,310	233,358	-10.31%
Other expenses	222,401	194,582	0	0	222,401	194,582	14.30%
<b>Total expenses</b>	<b>4,196,380</b>	<b>3,972,977</b>	<b>282,762</b>	<b>233,358</b>	<b>4,479,142</b>	<b>4,206,335</b>	<b>6.49%</b>
Excess(deficiency of revenues over(under) expenses before capital contributions	363,207	152,819	(35,734)	12,182	327,473	165,001	98.47%
Capital contributions	0	0	0	1,682	0	1,682	-100.00%
<b>Change in net assets</b>	<b>363,207</b>	<b>152,819</b>	<b>(35,734)</b>	<b>13,864</b>	<b>327,473</b>	<b>166,683</b>	<b>96.46%</b>
Net assets beginning of year, as restated (Note 10)	2,124,836	1,470,345	86,208	72,344	2,211,044	1,542,689	43.32%
<b>Net assets end of year</b>	<b>\$ 2,488,043</b>	<b>1,623,164</b>	<b>\$ 50,474</b>	<b>86,208</b>	<b>2,538,517</b>	<b>1,709,372</b>	<b>48.51%</b>

Property tax and unrestricted state grants account for 69% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$4,559,587 and expenses were \$4,196,380.

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	\$ 2,632,653	1,741,675
Support services	1,341,326	1,320,124
Other expenses	222,401	75,712
Totals	\$ 4,196,380	3,137,511

- A portion of the cost financed by users of the District’s programs was \$556,534.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$502,335.
- The net cost portion of governmental activities was financed with \$1,928,036 in property tax and other taxes, \$1,559,733 in unrestricted state grants, and unrestricted investment earnings of \$12,949.

**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 \$247,028 in 2005, which is an increase of less than 1% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 21% to \$282,762 for business-type activities in 2005; this was due to an increased cost to provide meals.

**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 \$799,143, an increase of \$184,790 above last years ending fund balances of \$614,353.

**Governmental Fund Highlights**

- The District’s decrease in the General Fund financial position is the result of many factors. The District increased its General Fund expenditures over the prior year, which was a result of increases in the negotiated salaries and benefits.
- Rising insurance costs continue to be a concern. The District’s Management Fund paid out \$56,744 for workers’ compensation, liability, auto/bus, and building/property insurance in fiscal year 2005 compared to \$53,317 in fiscal year 2004. Health, life, and disability insurance paid from the General Fund for fiscal year 2005 was \$256,428 compared with \$235,167 for fiscal year 2004. The District changed the health, life, and disability insurance company to help defray additional increases.
- Fuel prices for fiscal year 2005 were \$5,996 higher than the previous year and heating prices were \$6,653 more than previous year.
- One van was purchased from PPEL Funds in fiscal year 2005. Principal paid on loans during the year amounted to \$135,500 and interest paid during the year was \$10,553. The outstanding debt at the end of 2005 is \$42,000.

- Local option sales tax revenue was received for the first time in fiscal year 2005. Receipts were \$113,980 (cash basis) and expenses were \$49,654. The architect fees of \$44,612 were the major expense this year.

### Proprietary Fund Highlights

- School Nutrition Fund ending cash balance decreased \$15,043 from previous year.
- The decrease in the balance in the Nutrition Fund can be attributed to equipment purchases and higher food prices. The equipment purchases increased by \$11,654 and food prices increased by \$9,754.
- The District increased the lunch ticket prices during the year.

### BUDGETARY HIGHLIGHTS

The District's receipts were \$111,447 less than budgeted receipts. The most significant variance resulted from the District receiving in local 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, 2005, the District had invested \$1,671,102, 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 \$140,264.

The original cost of the District's capital assets was \$4,073,589. Governmental funds account for \$4,007,221, with the remainder of \$66,368 accounted for in the Proprietary School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$101,490 at June 30, 2005, compared to \$59,925 reported at June 30, 2004.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Land	\$ 116,414	116,414	\$ 0	0	\$ 116,414	116,414	0.00%
Buildings	1,143,610	1,172,334	0	0	1,143,610	1,172,334	-2.51%
Improvements other than buildings	101,490	59,925	0	0	101,490	59,925	40.95%
Machinery and equipment	279,393	243,891	30,195	22,395	309,588	266,286	13.99%
Total	<u>\$ 1,640,907</u>	<u>1,592,564</u>	<u>\$ 30,195</u>	<u>22,395</u>	<u>\$ 1,671,102</u>	<u>1,614,959</u>	<u>3.36%</u>

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## Long-Term Debt

At year-end, the District had \$62,913 in loans and early retirement outstanding. This represents a decrease of 71% from last year's balance of \$217,545. (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
	2005	2004	
Capital loan note	\$ 0	40,000	-100.0%
Building loan(1996)	42,000	100,000	-58.0%
Building loan(1995)	0	37,500	-100.0%
Early retirement	20,913	40,045	-47.8%
Totals	<u>\$ 62,913</u>	<u>217,545</u>	<u>-71.1%</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:

- 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 during the 2006 fiscal year. As of January 1, 2006, the District will not have any outstanding loans.
- 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) expired in 2005 and was 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 \$200,000 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 2005, the North Tama Board of Education did not implement the regular PPEL of \$.33 per \$1,000 but will reinstate the Levy for fiscal 2006.

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## **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, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:			
ISCAP(Note 4)	\$ 40	0	40
Other	656,929	15,554	672,483
Receivables			
Property tax:			
Delinquent	147,075	0	147,075
Succeeding year	1,635,550	0	1,635,550
Income surtax	135,795	0	135,795
Accounts	18,733	941	19,674
Due from other governments	85	0	85
Inventories	0	5,328	5,328
Capital assets, net of accumulated depreciation(Note 5)	1,640,907	30,195	1,671,102
<b>TOTAL ASSETS</b>	<b>4,235,114</b>	<b>52,018</b>	<b>4,287,132</b>
<b>LIABILITIES</b>			
Accounts payable	23,719	1,544	25,263
ISEBA assessment payable	24,336	0	24,336
Accrued interest payable	553	0	553
Deferred revenue:			
Succeeding year property tax	1,635,550	0	1,635,550
Long-term liabilities(Note 6):			
Portion due within one year:			
Building loan(1996)	42,000	0	42,000
Early retirement	20,800	0	20,800
Portion due after one year:			
Early retirement	113	0	113
<b>TOTAL LIABILITIES</b>	<b>1,747,071</b>	<b>1,544</b>	<b>1,748,615</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,598,354	30,195	1,628,549
Restricted for:			
Teacher Compensation	45	0	45
Phase III	96	0	96
Talented and gifted	30,630	0	30,630
Early intervention	50,812	0	50,812
Physical plant and equipment levy	40,482	0	40,482
Capital projects	167,302	0	167,302
Management levy	25,995	0	25,995
Other special revenue purposes	79,942	0	79,942
Unrestricted	494,385	20,279	514,664
<b>TOTAL NET ASSETS</b>	<b>\$ 2,488,043</b>	<b>50,474</b>	<b>2,538,517</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY 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
<b>Governmental activities:</b>			
Instruction:			
Regular instruction	\$ 1,932,783	126,446	331,136
Special instruction	557,373	70,861	24,510
Other instruction	142,497	338,025	0
	<u>2,632,653</u>	<u>535,332</u>	<u>355,646</u>
Support services:			
Student services	137,001	0	0
Instructional staff services	64,118	0	0
Administration services	566,786	0	0
Operation and maintenance of plant services	315,180	0	0
Transportation services	258,241	21,202	0
	<u>1,341,326</u>	<u>21,202</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	27,080	0	0
Long-term debt interest	8,450	0	0
AEA flowthrough	146,689	0	146,689
Depreciation(unallocated) *	40,182	0	0
	<u>222,401</u>	<u>0</u>	<u>146,689</u>
 Total governmental activities	 4,196,380	 556,534	 502,335
<b>Business-Type activities:</b>			
Non-instructional programs:			
Nutrition services	209,310	137,982	64,356
Enterprise	73,452	44,540	0
Total business-type activities	<u>282,762</u>	<u>182,522</u>	<u>64,356</u>
 Total	 \$ 4,479,142	 739,056	 566,691

**General Revenues:**

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

Total general revenues

Changes in net assets

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

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,475,201)	0	(1,475,201)
(462,002)	0	(462,002)
195,528	0	195,528
<u>(1,741,675)</u>	<u>0</u>	<u>(1,741,675)</u>
(137,001)	0	(137,001)
(64,118)	0	(64,118)
(566,786)	0	(566,786)
(315,180)	0	(315,180)
(237,039)	0	(237,039)
<u>(1,320,124)</u>	<u>0</u>	<u>(1,320,124)</u>
(27,080)	0	(27,080)
(8,450)	0	(8,450)
0	0	0
(40,182)	0	(40,182)
<u>(75,712)</u>	<u>0</u>	<u>(75,712)</u>
(3,137,511)	0	(3,137,511)
0	(6,972)	(6,972)
0	(28,912)	(28,912)
0	(35,884)	(35,884)
<u>(3,137,511)</u>	<u>(35,884)</u>	<u>(3,173,395)</u>
\$ 1,520,842	0	1,520,842
252,648	0	252,648
154,546	0	154,546
1,559,733	0	1,559,733
12,949	150	13,099
<u>3,500,718</u>	<u>150</u>	<u>3,500,868</u>
363,207	(35,734)	327,473
<u>2,124,836</u>	<u>86,208</u>	<u>2,211,044</u>
<u>\$ 2,488,043</u>	<u>50,474</u>	<u>2,538,517</u>

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP (Note 4)	\$ 40	0	0	40
Other	427,424	64,561	164,944	656,929
Receivables:				
Property tax:				
Delinquent	24,771	118,796	3,508	147,075
Succeeding year	1,500,053	0	135,497	1,635,550
Income surtax	90,530	0	45,265	135,795
Accounts	18,733	0	0	18,733
Due from other governments	85	0	0	85
<b>TOTAL ASSETS</b>	<b>\$ 2,061,636</b>	<b>183,357</b>	<b>349,214</b>	<b>2,594,207</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	6,544	16,055	1,120	23,719
Deferred revenue:				
Succeeding year property tax	1,500,053	0	135,497	1,635,550
Income surtax	90,530	0	45,265	135,795
Total liabilities	1,597,127	16,055	181,882	1,795,064
Fund balances:				
Reserved for:				
Teacher Compensation	45	0	0	45
Phase III	96	0	0	96
Talented and gifted	30,630	0	0	30,630
Early intervention	50,812	0	0	50,812
Unreserved:				
Undesignated	382,926	167,302	167,332	717,560
Total fund balances	464,509	167,302	167,332	799,143
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,061,636</b>	<b>183,357</b>	<b>349,214</b>	<b>2,594,207</b>

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, 2005

<b>Total fund balances of governmental funds (page 17)</b>	\$	799,143
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		1,640,907
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.		(553)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		135,795
ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlementand, therefore, are not reported as liabilities in the governmental funds.		(24,336)
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>(62,913)</u>
<b>Net assets of governmental activites (page 14)</b>	<b>\$</b>	<b><u>2,488,043</u></b>

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, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,523,167	154,546	252,648	1,930,361
Tuition	197,307	0	0	197,307
Other	111,931	235	260,010	372,176
State sources	1,844,709	78,230	189	1,923,128
Federal sources	138,940	0	0	138,940
Total revenues	<u>3,816,054</u>	<u>233,011</u>	<u>512,847</u>	<u>4,561,912</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,764,826	0	211,584	1,976,410
Special instruction	556,548	0	0	556,548
Other instruction	135,386	0	0	135,386
	<u>2,456,760</u>	<u>0</u>	<u>211,584</u>	<u>2,668,344</u>
Support services:				
Student services	134,508	0	2,273	136,781
Instructional staff services	80,961	0	498	81,459
Administration services	553,722	0	16,816	570,538
Operation and maintenance of plant services	259,000	0	56,180	315,180
Transportation services	196,538	0	35,437	231,975
	<u>1,224,729</u>	<u>0</u>	<u>111,204</u>	<u>1,335,933</u>
Other expenditures:				
Facilities acquisitions	0	65,709	14,394	80,103
Long-term debt:				
Principal	0	0	135,500	135,500
Interest and fiscal charges	0	0	10,553	10,553
AEA flowthrough	146,689	0	0	146,689
	<u>146,689</u>	<u>65,709</u>	<u>160,447</u>	<u>372,845</u>
Total expenditures	<u>3,828,178</u>	<u>65,709</u>	<u>483,235</u>	<u>4,377,122</u>
Excess(deficiency) of revenues over(under) expenditures	(12,124)	167,302	29,612	184,790
Other financing sources(uses):				
Transfers in	0	0	153,793	153,793
Transfers out	0	0	(153,793)	(153,793)
Total other financing sources(uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	(12,124)	167,302	29,612	184,790
Fund balance beginning of year	476,633	0	137,720	614,353
Fund balance end of year	<u>\$ 464,509</u>	<u>167,302</u>	<u>167,332</u>	<u>799,143</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, 2005

Net change in fund balances - total governmental funds (page 19)	\$	184,790
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 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	\$ 155,953	
Depreciation expense	<u>(107,610)</u>	48,343
 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		135,500
 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.		
		2,103
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(2,325)
 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	19,132	
ISEBA assessment	<u>(24,336)</u>	(5,204)
 Changes in net assets of governmental activities (page 16)	 \$	 <u>363,207</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	Other		Total
	School Nutrition	Enterprise Funds	
<b>ASSETS</b>			
Cash and pooled investments	\$ 9,868	5,686	15,554
Accounts receivable	941	0	941
Inventories	5,328	0	5,328
Capital assets, net of accumulated depreciation	30,195	0	30,195
Total assets	<u>46,332</u>	<u>5,686</u>	<u>52,018</u>
<b>LIABILITIES</b>			
Accounts payable	1,544	0	1,544
Total liabilities	<u>1,544</u>	<u>0</u>	<u>1,544</u>
<b>NET ASSETS</b>			
Invested in capital assets	30,195	0	30,195
Unrestricted	14,593	5,686	20,279
Total net assets	<u>\$ 44,788</u>	<u>5,686</u>	<u>50,474</u>

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, 2005

	School Nutrition	Other Enterprise Funds	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 137,982	44,540	182,522
TOTAL OPERATING REVENUES	<u>137,982</u>	<u>44,540</u>	<u>182,522</u>
OPERATING EXPENSES:			
Instruction:			
Salaries	0	1,562	1,562
Benefits	0	209	209
Services	0	7,019	7,019
Supplies	0	41,158	41,158
Property	0	23,504	23,504
Total Instruction	<u>0</u>	<u>73,452</u>	<u>73,452</u>
Non-instructional programs:			
Food service operations:			
Salaries	68,029	0	68,029
Benefits	24,187	0	24,187
Services	3,388	0	3,388
Supplies	109,852	0	109,852
Depreciation	3,854	0	3,854
Total non-instructional	<u>209,310</u>	<u>0</u>	<u>209,310</u>
TOTAL OPERATING EXPENSES	<u>209,310</u>	<u>73,452</u>	<u>282,762</u>
OPERATING LOSS	<u>(71,328)</u>	<u>(28,912)</u>	<u>(100,240)</u>
NON-OPERATING REVENUES:			
State sources	2,764	0	2,764
Federal sources	61,592	0	61,592
Interest income	150	0	150
TOTAL NON-OPERATING REVENUES	<u>64,506</u>	<u>0</u>	<u>64,506</u>
Changes in net assets	(6,822)	(28,912)	(35,734)
Net assets beginning of year	<u>51,610</u>	<u>34,598</u>	<u>86,208</u>
Net assets end of year	<u>\$ 44,788</u>	<u>5,686</u>	<u>50,474</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	School Nutrition	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 135,281	0	135,281
Cash received from miscellaneous operating activities	955	44,540	45,495
Cash payments to employees for services	(92,216)	(1,771)	(93,987)
Cash payments to suppliers for goods or services	(99,101)	(71,681)	(170,782)
Net cash used in operating activities	(55,081)	(28,912)	(83,993)
Cash flows from non-capital financing activities:			
State grants received	2,764	0	2,764
Federal grants received	48,778	0	48,778
Net cash provided by non-capital financing activities	51,542	0	51,542
Cash flows from capital and related financing activities:			
Purchase of capital assets	(11,654)	0	(11,654)
Net cash used in capital and related financing activities	(11,654)	0	(11,654)
Cash flows from investing activities:			
Interest on investments	150	0	150
Net cash provided by investing activities	150	0	150
Net decrease in cash and cash equivalents	(15,043)	(28,912)	(43,955)
Cash and cash equivalents at beginning of year	24,911	34,598	59,509
Cash and cash equivalents at end of year	\$ 9,868	5,686	15,554
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (71,328)	(28,912)	(100,240)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	12,814	0	12,814
Depreciation	3,854	0	3,854
Increase in inventories	(99)	0	(99)
Increase in accounts receivable	(941)	0	(941)
Increase in accounts payable	1,424	0	1,424
Decrease in deferred revenue	(805)	0	(805)
Net cash used in operating activities	\$ (55,081)	(28,912)	(83,993)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 9,868	5,686	15,554

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$12,814.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

**(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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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.

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

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

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

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

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

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that

are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

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

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or 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 investments in certificates of deposit that are stated at a fair value of \$8,836 and are classified as risk category 1, which are investments that are insured and registered and held by the District or its agent in the District's name.

**(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	PPEL	\$ 146,053
PPEL	Management	2,220
PPEL	Activity	5,520
		<u>\$ 153,793</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 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, 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	40	0	0	0
Total			<u>\$ 40</u>	<u>0</u>	<u>0</u>	<u>0</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. In addition, the District must make minimum warrant repayments of the 25<sup>th</sup> 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 had no advance activity in the General Fund for the year Ended June 30, 2005.

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
2004-05A	3.000%	2.463%

**(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
Business-type activities:				
Machinery and equipment	\$ 61,583	11,654	6,869	66,368
Less accumulated depreciation	39,188	3,854	6,869	36,173
Business-type activities capital assets, net	<u>\$ 22,395</u>	<u>7,800</u>	<u>0</u>	<u>30,195</u>

	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	<u>116,414</u>	<u>0</u>	<u>0</u>	<u>116,414</u>
Capital assets being depreciated:				
Buildings	2,423,257	4,452	0	2,427,709
Improvements other than buildings	206,258	48,571	0	254,829
Machinery and equipment	1,105,339	131,730	28,800	1,208,269
Total capital assets being depreciated	<u>3,734,854</u>	<u>184,753</u>	<u>28,800</u>	<u>3,890,807</u>
Less accumulated depreciation for:				
Buildings	1,250,923	33,176	0	1,284,099
Improvements other than buildings	146,333	7,006	0	153,339
Machinery and equipment	861,448	96,228	28,800	928,876
Total accumulated depreciation	<u>2,258,704</u>	<u>136,410</u>	<u>28,800</u>	<u>2,366,314</u>
Total capital assets being depreciated, net	<u>1,476,150</u>	<u>48,343</u>	<u>0</u>	<u>1,524,493</u>
Governmental activities capital assets, net	<u>\$ 1,592,564</u>	<u>48,343</u>	<u>0</u>	<u>1,640,907</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 37,025
Special		825
Other		7,111
Support services:		
Student services		220
Instructional support services		5,659
Administration		2,327
Transportation		43,061
		<u>96,228</u>
Unallocated depreciation		40,182
Total governmental activities depreciation expense		<u>\$ 136,410</u>
Business-type activities:		
Food services		\$ 3,854
Total business-type activities depreciation expense		<u>\$ 3,854</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	Reductions	Balance End of Year	Due Within One Year
Capital loan note	\$ 40,000	0	40,000	0	0
Building loan(1996)	100,000	0	58,000	42,000	42,000
Building loan(1995)	37,500	0	37,500	0	0
Early retirement	40,045	4,924	24,056	20,913	20,800
Total	<u>\$ 217,545</u>	<u>4,924</u>	<u>159,556</u>	<u>62,913</u>	<u>62,800</u>

Building Loans Payable

Details of the District's June 30, 2005 building loans payable are as follows:

Year Ending June 30,	Loan dated September 4, 1996		
	Principal	Interest	Total
2006	\$ 42,000	1,859	43,859
Total	<u>\$ 42,000</u>	<u>1,859</u>	<u>43,859</u>

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, 2005, totaled \$24,056.

**(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 \$126,861, \$125,336, \$122,384, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in

December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$1.95 million. The District's share of this assessment was \$24,336 which is recorded as a liability as of June 30, 2005.

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 \$146,689 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.

**(10) Accounting Restatements**

Beginning capital assets for governmental activities of \$3,111,081 were restated to \$3,851,268. The restatement primarily added assets not previously recognized by the District.

The affects of the restatement in the governmental activities are summarized as follows:

Net assets, June 30, 2004, as previously reported	\$ 1,623,164
Increase in Capital assets not previously recorded net of accumulated depreciation.	<u>501,672</u>
Net assets, July 1, 2004, as restated for governmental funds	<u><u>\$ 2,124,836</u></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, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,451,602	180,926
State sources	1,844,898	2,764
Federal sources	150,814	61,592
Total receipts	<u>4,447,314</u>	<u>245,282</u>
Disbursements:		
Instruction	2,670,805	73,452
Support services	1,339,820	0
Non-instructional programs	0	215,785
Other expenditures	356,552	0
Total disbursements	<u>4,367,177</u>	<u>289,237</u>
Excess (deficiency) of receipts and other financing sources over disbursements	80,137	(43,955)
Balance beginning of year	<u>576,792</u>	<u>59,509</u>
Balance end of year	<u>\$ 656,929</u>	<u>15,554</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,632,528	2,718,654	2,718,654	(86,126)
1,847,662	1,920,389	1,920,389	(72,727)
212,406	165,000	165,000	47,406
<u>4,692,596</u>	<u>4,804,043</u>	<u>4,804,043</u>	<u>(111,447)</u>
2,744,257	2,877,292	2,847,292	103,035
1,339,820	1,612,832	1,582,832	243,012
215,785	284,339	284,339	68,554
356,552	333,196	393,196	36,644
<u>4,656,414</u>	<u>5,107,659</u>	<u>5,107,659</u>	<u>451,245</u>
36,182	(303,616)	(303,616)	(339,798)
<u>636,301</u>	<u>592,477</u>	<u>592,477</u>	<u>43,824</u>
<u>672,483</u>	<u>288,861</u>	<u>288,861</u>	<u>383,622</u>

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

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 4,447,314	114,598	4,561,912
Expenditures	4,367,177	9,945	4,377,122
Net	80,137	104,653	184,790
Beginning fund balances	576,792	37,561	614,353
Ending fund balances	\$ 656,929	142,214	799,143

	Proprietary Fund		
	Enterprise		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 245,282	1,746	247,028
Expenditures	289,237	(6,475)	282,762
Change in net assets	(43,955)	8,221	(35,734)
Net assets beginning of year	59,509	26,699	86,208
Net assets end of year	\$ 15,554	34,920	50,474

NORTH TAMA COUNTY 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 Standard 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 functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment which reclassified expenditures from the instructional and support services functions to the other expenditures function.

OTHER SUPPLEMENTAL INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue
<b>ASSETS</b>					
Cash and pooled investments	\$ 45,481	78,790	38,639	2,034	164,944
Receivables:					
Property tax:					
Current year delinquent	1,427	0	2,081	0	3,508
Succeeding year	86,000	0	49,497	0	135,497
Income surtax	0	0	45,265	0	45,265
<b>TOTAL ASSETS</b>	<b>\$ 132,908</b>	<b>78,790</b>	<b>135,482</b>	<b>2,034</b>	<b>349,214</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts payable	\$ 0	882	238	0	1,120
Deferred revenue:					
Succeeding year property tax	86,000	0	49,497	0	135,497
Income surtax	0	0	45,265	0	45,265
<b>Total Liabilities</b>	<b>86,000</b>	<b>882</b>	<b>95,000</b>	<b>0</b>	<b>181,882</b>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	46,908	77,908	40,482	2,034	167,332
<b>Total fund balances</b>	<b>46,908</b>	<b>77,908</b>	<b>40,482</b>	<b>2,034</b>	<b>167,332</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 132,908</b>	<b>78,790</b>	<b>135,482</b>	<b>2,034</b>	<b>349,214</b>

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, 2005

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	
REVENUES:							
Local sources:							
Local tax	\$ 81,942	0	170,706	0	252,648	0	252,648
Other	2,403	198,492	59,104	11	260,010	0	260,010
State sources	77	0	112	0	189	0	189
TOTAL REVENUES	<u>84,422</u>	<u>198,492</u>	<u>229,922</u>	<u>11</u>	<u>512,847</u>	<u>0</u>	<u>512,847</u>
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	22,560	188,274	0	750	211,584	0	211,584
Support services:							
Student support services	2,273	0	0	0	2,273	0	2,273
Instructional staff	498	0	0	0	498	0	498
Administration services	16,816	0	0	0	16,816	0	16,816
Operation and maintenance of plant services	18,047	0	38,133	0	56,180	0	56,180
Student transportation	18,642	0	16,795	0	35,437	0	35,437
Other expenditures:							
Facilities acquisitions	0	0	14,394	0	14,394	0	14,394
Long-term debt:							
Principal	0	0	0	0	0	135,500	135,500
Interest and fiscal charges	0	0	0	0	0	10,553	10,553
TOTAL EXPENDITURES	<u>78,836</u>	<u>188,274</u>	<u>69,322</u>	<u>750</u>	<u>337,182</u>	<u>146,053</u>	<u>483,235</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,586	10,218	160,600	(739)	175,665	(146,053)	29,612
OTHER FINANCING SOURCES (USES):							
Transfers in	0	0	7,740	0	7,740	146,053	153,793
Transfers out	(2,220)	(5,520)	(146,053)	0	(153,793)	0	(153,793)
Total other financing sources (uses)	<u>(2,220)</u>	<u>(5,520)</u>	<u>(138,313)</u>	<u>0</u>	<u>(146,053)</u>	<u>146,053</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	3,366	4,698	22,287	(739)	29,612	0	29,612
FUND BALANCE BEGINNING OF YEAR	<u>43,542</u>	<u>73,210</u>	<u>18,195</u>	<u>2,773</u>	<u>137,720</u>	<u>0</u>	<u>137,720</u>
FUND BALANCE END OF YEAR	<u>\$ 46,908</u>	<u>77,908</u>	<u>40,482</u>	<u>2,034</u>	<u>167,332</u>	<u>0</u>	<u>167,332</u>

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, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Musical	\$ 515	704	585	634
Instrumental Activity	619	2,940	1,574	1,984
Music Boosters	2,287	19,279	18,928	2,638
Music Boosters Investment	5,382	3,454	0	8,836
Youth Basketball	3,365	1,764	3,910	1,219
Athletics	12,819	61,367	59,920	14,266
Baseball/Softball	2,424	17,401	15,530	4,295
Nationals	524	1,190	1,288	426
Uniforms	1,625	308	0	1,933
Booster Club	6,280	17,210	15,177	8,313
Cheerleaders	404	925	622	707
FCCLA	951	6,564	6,322	1,193
Ind Arts Club	69	0	0	69
National Honor Society	544	1,278	635	1,187
Spanish Club	2,794	116	835	2,075
Speech Club	286	573	347	513
Student Council	3,620	14,164	14,540	3,244
Memory Book	38	1,698	1,468	268
Yearbook	4,531	15,296	14,400	5,427
JH Quest	2	0	2	0
JH Student Council	977	4,743	5,361	359
Interest	46	553	551	48
North Tama Dance Squad	1,575	5,323	6,024	874
Elementary Drill Team	0	1,050	0	1,050
Swing Show	918	2,390	2,392	916
Redhawks Readers	1,347	4	0	1,351
Playground Equipment	4,033	11	4,044	0
Art Club	2,158	2,240	2,140	2,258
FFA	(21)	2,049	1,656	372
PTO	8,884	2,128	3,927	7,085
PEP Club	295	1	0	295
Resident Artist	84	0	0	84
Athletic Improvement	288	907	0	1,196
Class of 2003	27	0	27	0
Class of 2004	505	0	505	0
Class of 2005	1,624	866	1,245	1,245
Class of 2006	320	8,002	7,039	1,283
Fund Balance SADD	0	1,042	777	265
Elementary Pop Machine	1,071	951	2,022	0
<b>Total</b>	<b>\$ 73,210</b>	<b>198,492</b>	<b>193,794</b>	<b>77,908</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 OTHER ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2005

	Book			Total
	Fair	NT & S	Other	
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,262	1,914	1,510	5,686
Total assets	<u>2,262</u>	<u>1,914</u>	<u>1,510</u>	<u>5,686</u>
<b>LIABILITIES</b>				
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET ASSETS</b>				
Unrestricted	<u>2,262</u>	<u>1,914</u>	<u>1,510</u>	<u>5,686</u>
Total net assets	<u>\$ 2,262</u>	<u>1,914</u>	<u>1,510</u>	<u>5,686</u>

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, 2005

	Book				
	Fair	Jet	NT & S	Other	Total
OPERATING REVENUE:					
Local sources:					
Charges for services	\$ 1,447	29,323	912	12,858	44,540
TOTAL OPERATING REVENUES	1,447	29,323	912	12,858	44,540
OPERATING EXPENSES:					
Instruction:					
Salaries	0	0	0	1,562	1,562
Benefits	0	0	0	209	209
Services	0	0	0	7,019	7,019
Supplies	2,239	31,520	641	6,758	41,158
Property	0	23,504	0	0	23,504
TOTAL OPERATING EXPENSES	2,239	55,024	641	15,548	73,452
Change in net assets	(792)	(25,701)	271	(2,690)	(28,912)
Net assets beginning of year	3,054	25,701	1,643	4,200	34,598
Net assets end of year	\$ 2,262	0	1,914	1,510	5,686

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 OTHER ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2005

	Book	
	Fair	Jet
Cash flows from operating activities:		
Cash received from miscellaneous operating activities	\$ 1,447	29,323
Cash payments to employees for services	0	0
Cash payments to suppliers for goods or services	(2,239)	(55,024)
Net cash provided by(used in) operating activities	(792)	(25,701)
Net increase(decrease) in cash and cash equivalents	(792)	(25,701)
Cash and cash equivalents at beginning of year	3,054	25,701
Cash and cash equivalents at end of year	\$ 2,262	0
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (792)	(25,701)
Net cash provided by(used in) operating activities	\$ (792)	(25,701)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 2,262	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 6

<u>NT &amp; S</u>	<u>Other</u>	<u>Total</u>
912	12,858	44,540
0	(1,771)	(1,771)
(641)	(13,777)	(71,681)
<u>271</u>	<u>(2,690)</u>	<u>(28,912)</u>
271	(2,690)	(28,912)
<u>1,643</u>	<u>4,200</u>	<u>34,598</u>
<u>1,914</u>	<u>1,510</u>	<u>5,686</u>

<u>271</u>	<u>(2,690)</u>	<u>(28,912)</u>
<u>271</u>	<u>(2,690)</u>	<u>(28,912)</u>

<u>1,914</u>	<u>1,510</u>	<u>5,686</u>
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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,			
	2005	2004	2003	2002
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,930,361	1,853,955	1,845,864	1,740,071
Tuition	197,307	148,428	104,748	86,107
Other	372,176	285,966	320,072	375,970
State sources	1,923,128	1,733,213	1,649,905	1,743,283
Federal sources	138,940	103,148	117,835	59,152
Total	<u>\$ 4,561,912</u>	<u>4,124,710</u>	<u>4,038,424</u>	<u>4,004,583</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 1,976,410	1,602,992	1,579,928	1,557,100
Special instruction	556,548	369,907	316,496	338,352
Other instruction	135,386	450,074	460,346	509,434
Support services:				
Student services	136,781	134,248	132,436	123,245
Instructional staff services	81,459	121,762	117,052	109,737
Administration services	570,538	569,093	543,487	518,463
Operation and maintenance of plant services	315,180	286,537	268,607	267,094
Transportation services	231,975	295,949	182,573	254,172
Central services	0	871	632	330
Other expenditures:				
Facilities acquisitions	80,103	10,000	0	17,270
Long-term debt:				
Principal	135,500	127,500	126,320	33,659
Interest and other charges	10,553	18,206	25,888	124,128
AEA flow-through	146,689	147,606	152,360	153,341
Total	<u>\$ 4,377,122</u>	<u>4,134,745</u>	<u>3,906,125</u>	<u>4,006,325</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 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  
North Tama County 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 North Tama County 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 12, 2005. 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Tama County 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

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 North Tama County Community School District and other parties to whom North Tama County 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 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 PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

August 12, 2005

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

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

REPORTABLE CONDITIONS:

I-A-05 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-05 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, 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 - No business transactions between the District and District officials or employees were noted.
- 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.