

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Colfax-Mingo Community School District in Colfax, Iowa.

The District has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Also included is Management's Discussion and Analysis of the District's financial statements.

The District's revenues for governmental funds totaled \$7,271,276 for the year ended June 30, 2004 and included \$2,846,958 in local tax, \$3,975,253 from the state, \$183,185 from the federal government and \$10,611 in interest on investments. The District also received \$1,107 from the sale of equipment.

Governmental fund expenditures for the year totaled \$6,657,795 and included \$4,408,453 for instruction, \$1,729,619 for support services and \$519,723 for other expenditures.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.

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Colfax-Mingo Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Alvin Flyr	President	2004
William Gannon	Vice President	2003
Scott Beason	Board Member	2004
Monte Wilson	Board Member	2005
Jim Hall	Board Member	2003
Don Van Dusseldorp	Board Member	2004
Shelly Tiffany	Board Member (Resigned)	2003
Don Goodman	Board Member (Appointed)	2003

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

William Gannon	President	2006
Don Van Dusseldorp	Vice President	2004
Scott Beason	Board Member	2004
Monte Wilson	Board Member	2005
Terry Fox	Board Member	2006
Alvin Flyr	Board Member	2004
Don Goodman	Board Member	2005

School Officials

Ed Ackerman	Superintendent	2004
Deb Hodgson	Board Secretary	2004
Kelly Wilson	Treasurer	2004
Nyemaster, Goode, McLaughlin, Emery & O'Brien	Attorney	2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Colfax-Mingo Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Colfax-Mingo Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Colfax-Mingo Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

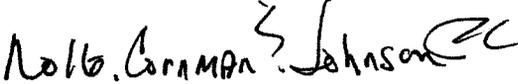
As described in Note 10 to the financial statements, during the year ended June 30, 2004, Colfax-Mingo Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement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

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2004, on our consideration of the Colfax-Mingo Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of

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

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Colfax-Mingo Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 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, P.C.

November 15, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,547,635 in fiscal 2003 to \$6,542,734 in fiscal 2004, while General Fund expenditures increased from \$6,052,659 in fiscal 2003 to \$6,177,213 in fiscal 2004. This resulted in an increase in the District's fund balance from \$581,729 in fiscal 2003 to \$931,763 in fiscal 2004, which was a 60% increase from the prior year.

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 Colfax-Mingo 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 Colfax-Mingo 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 Colfax-Mingo 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.

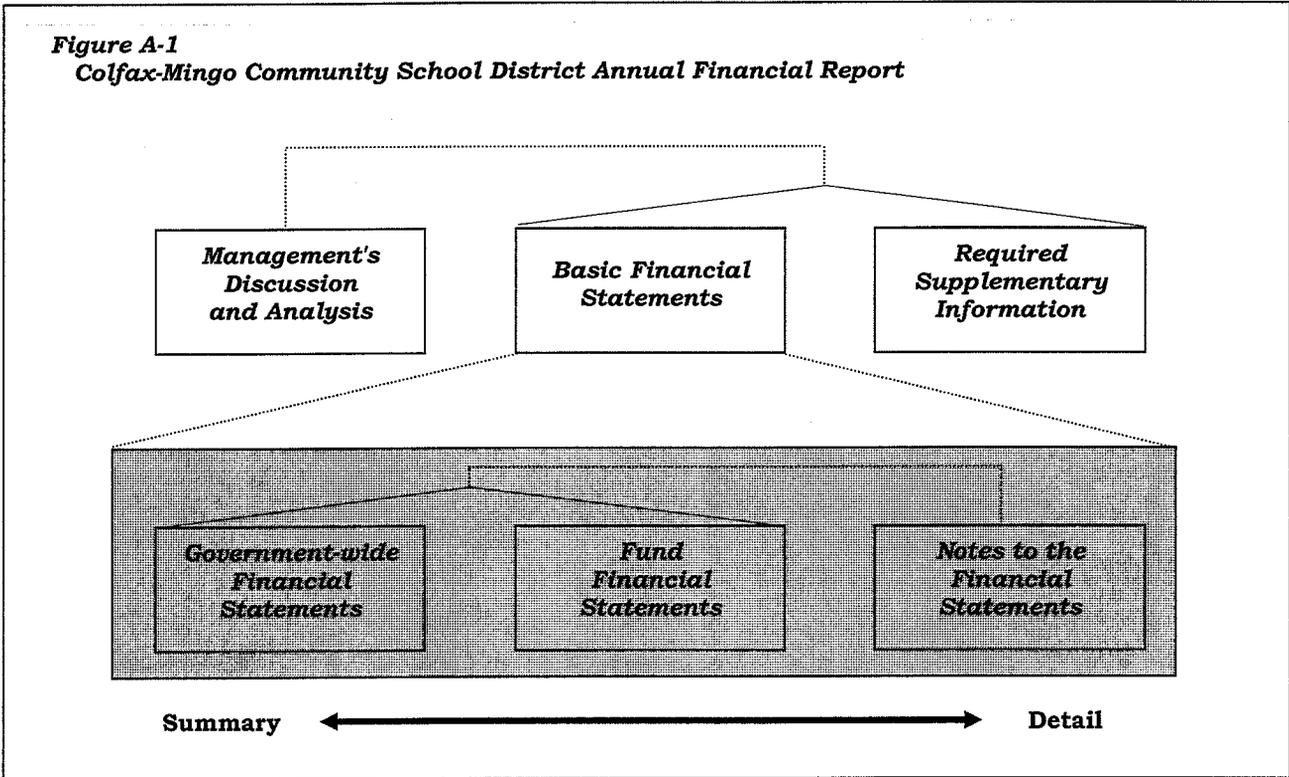


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

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: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. 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 includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 6,101,604	5,671	6,107,275
Capital assets	3,832,551	67,155	3,899,706
Total assets	<u>9,934,155</u>	<u>72,826</u>	<u>10,006,981</u>
Long-term obligations	2,862,413	0	2,862,413
Other liabilities	4,447,743	56,938	4,504,681
Total liabilities	<u>7,310,156</u>	<u>56,938</u>	<u>7,367,094</u>
Net assets:			
Invested in capital assets, net of related debt	1,224,696	67,155	1,291,851
Restricted	368,736	0	368,736
Unrestricted	1,030,567	(51,267)	979,300
Total net assets	<u>\$ 2,623,999</u>	<u>15,888</u>	<u>2,639,887</u>

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

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 255,269	149,137	404,406
Operating grants and contributions and restricted interest	697,358	105,247	802,605
General revenues:			
Property tax	2,635,002	0	2,635,002
Local option sales and services tax	211,956	0	211,956
Unrestricted state grants	3,461,080	0	3,461,080
Unrestricted investment earnings	10,611	18	10,629
Other	1,107	0	1,107
Total revenues	<u>7,272,383</u>	<u>254,402</u>	<u>7,526,785</u>
Program expenses:			
Governmental activities:			
Instructional	4,424,877	0	4,424,877
Support services	1,643,875	0	1,643,875
Non-instructional programs	0	305,380	305,380
Other expenses	471,719	0	471,719
Total expenses	<u>6,540,471</u>	<u>305,380</u>	<u>6,845,851</u>
Change in net assets	\$ 731,912	(50,978)	680,934

Property tax and unrestricted state grants (state aid and instructional support state aid) account for 81% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,272,383 and expenses were \$6,540,471.

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	\$ 4,424,877	3,728,532
Support services	1,643,875	1,641,477
Other expenses	471,719	217,835
Totals	<u>\$ 6,540,471</u>	<u>5,587,844</u>

-
- A portion of the cost financed by users of the District's programs was \$255,269
 - The federal and state government subsidized certain programs with operating grants and contributions totaling \$697,358
 - The net cost portion of governmental activities was financed with \$2,635,002 in property tax, \$211,956 in local option sales and services tax, \$3,461,080 in unrestricted state grants, and unrestricted investment earnings of \$10,611

Business-Type Activities

The District's only business-type activity is the School Nutrition Fund. Revenues of the District's business-type activities totaled \$254,402 in 2004. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses were \$305,380 for business-type activities in 2004.

INDIVIDUAL FUND ANALYSIS

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

A strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$1,405,733, an increase of \$614,588 over last year's ending fund balances of \$791,145.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Even though the District had a small decrease in revenues and an increase in expenditures, the General Fund balance increased due to a large increase in fund balance the prior year.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$66,866 at June 30, 2003 to \$15,888 at June 30, 2004, representing a decrease of 76%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$64,847 less than budgeted receipts. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional area by \$18,151, due to the timing of disbursements paid.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$3,899,706, 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 \$186,002.

The original cost of the District's capital assets was \$6,614,146. Governmental funds account for \$6,483,590, with the remainder of \$130,556 accounted for in the Proprietary School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$197,739 at June 30, 2004, compared to \$159,732 reported at June 30, 2003.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type	Total
	Activities		Activities	School District
	2004	2004	2004	2004
Land	\$ 123,219	0	0	123,219
Buildings	3,410,271	0	0	3,410,271
Land improvements	101,322	0	0	101,322
Machinery and equipment	197,739	67,155	67,155	264,894
Total	\$ 3,832,551	67,155	67,155	3,899,706

Long-Term Debt

At year-end, the District had \$2,862,413 in general obligation and other long-term debt outstanding. This represents a decrease of 6% from last year's balance of \$3,053,462. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General obligation bonds	\$ 2,640,000	2,790,000	-5.4%
Energy note	64,750	76,980	-15.9%
Early retirement	80,083	109,700	-27.0%
Compensated absences	77,580	76,782	1.0%
Totals	\$ 2,862,413	3,053,462	-6.3%

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:

- A 2.5% across-the-board state cut did reduce revenues the District received during the 2003-2004 school year. This was due to a downward estimate in state revenues.
- The upcoming Iowa legislative session could again prove to be most challenging in respect to the state budget. The impact of state reductions to education is an unknown that we must be ready to address and compensate.

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 Debbie Hodgson, Board Secretary, Colfax-Mingo Community School District, 1000 North Walnut, Colfax, Iowa, 50054.

BASIC FINANCIAL STATEMENTS

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP(Note 4)	\$ 1,741,776	0	1,741,776
Other	1,613,370	0	1,613,370
Receivables			
Property tax:			
Delinquent	36,969	0	36,969
Succeeding year	2,192,147	0	2,192,147
Income surtax	254,883	0	254,883
Interfund	61,398	0	61,398
Accounts	3,348	0	3,348
Accrued ISCAP interest(Note 4)	3,779	0	3,779
Due from other governments	193,934	0	193,934
Inventories	0	5,671	5,671
Capital assets, net of accumulated depreciation(Note 5)	3,832,551	67,155	3,899,706
TOTAL ASSETS	9,934,155	72,826	10,006,981
LIABILITIES			
Excess of warrants issued over bank balance	\$ 11,250	2,465	13,715
Accounts payable	245	0	245
Salaries and benefits payable	472,818	38	472,856
Interfund payable	9,471	51,927	61,398
ISCAP warrants payable(Note 4)	1,746,000	0	1,746,000
ISCAP accrued interest payable(Note 4)	5,731	0	5,731
ISCAP unamortized premium	3,326	0	3,326
Accrued interest payable	6,755	0	6,755
Deferred revenue:			
Succeeding year property tax	2,192,147	0	2,192,147
Other	0	2,508	2,508
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	170,000	0	170,000
Energy note	12,962	0	12,962
Early retirement	14,147	0	14,147
Compensated absences	77,580	0	77,580
Portion due after one year:			
General obligation bonds payable	2,470,000	0	2,470,000
Energy note	51,788	0	51,788
Early retirement	65,936	0	65,936
TOTAL LIABILITIES	7,310,156	56,938	7,367,094
NET ASSETS			
Investment in capital assets, net of related debt	1,224,696	67,155	1,291,851
Restricted for:			
Salary improvement program	212	0	212
Capital projects	227,856	0	227,856
Physical plant and equipment levy	77,968	0	77,968
Other special revenue purposes	62,700	0	62,700
Unrestricted	1,030,567	(51,267)	979,300
TOTAL NET ASSETS	\$ 2,623,999	15,888	2,639,887

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,856,946	236,398	441,076
Special instruction	998,301	18,871	0
Other instruction	569,630	0	0
	<u>4,424,877</u>	<u>255,269</u>	<u>441,076</u>
Support services:			
Student services	126,852	0	0
Instructional staff services	105,617	0	0
Administration services	694,466	0	0
Operation and maintenance of plant services	445,463	0	0
Transportation services	266,232	0	2,398
Central services	5,245	0	0
	<u>1,643,875</u>	<u>0</u>	<u>2,398</u>
Other expenditures:			
Long-term debt interest	103,159	0	0
AEA flowthrough	253,884	0	253,884
Depreciation(unallocated)*	114,676	0	0
	<u>471,719</u>	<u>0</u>	<u>253,884</u>
Total governmental activities	6,540,471	255,269	697,358
Business-Type activities:			
Non-instructional programs:			
Nutrition services	305,380	149,137	105,247
Total business-type activities	<u>305,380</u>	<u>149,137</u>	<u>105,247</u>
Total	<u>\$ 6,845,851</u>	<u>404,406</u>	<u>802,605</u>
General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
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
(2,179,472)	0	(2,179,472)
(979,430)	0	(979,430)
(569,630)	0	(569,630)
<u>(3,728,532)</u>	<u>0</u>	<u>(3,728,532)</u>
(126,852)	0	(126,852)
(105,617)	0	(105,617)
(694,466)	0	(694,466)
(445,463)	0	(445,463)
(263,834)	0	(263,834)
(5,245)	0	(5,245)
<u>(1,641,477)</u>	<u>0</u>	<u>(1,641,477)</u>
(103,159)	0	(103,159)
0	0	0
(114,676)	0	(114,676)
<u>(217,835)</u>	<u>0</u>	<u>(217,835)</u>
(5,587,844)	0	(5,587,844)
0	(50,996)	(50,996)
0	(50,996)	(50,996)
<u>(5,587,844)</u>	<u>(50,996)</u>	<u>(5,638,840)</u>
\$ 2,340,254	0	2,340,254
246,864	0	246,864
47,884	0	47,884
211,956	0	211,956
3,461,080	0	3,461,080
10,611	18	10,629
1,107	0	1,107
<u>6,319,756</u>	<u>18</u>	<u>6,319,774</u>
731,912	(50,978)	680,934
<u>1,892,087</u>	<u>66,866</u>	<u>1,958,953</u>
<u>\$ 2,623,999</u>	<u>15,888</u>	<u>2,639,887</u>

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,741,776	0	1,741,776
Other	1,263,250	350,120	1,613,370
Receivables:			
Property tax:			
Delinquent	31,322	5,647	36,969
Succeeding year	1,836,274	355,873	2,192,147
Income surtax	254,883	0	254,883
Interfund	0	61,398	61,398
Accounts	840	2,508	3,348
Accrued ISCAP interest (Note 4)	3,779	0	3,779
Due from other governments	118,696	75,238	193,934
TOTAL ASSETS	\$ 5,250,820	850,784	6,101,604
LIABILITIES AND FUND BALANCES			
Liabilities:			
Excess of warrants issued over bank balance	\$ 0	11,250	11,250
Accounts payable	0	245	245
Salaries and benefits payable	472,818	0	472,818
Interfund payable	25	9,446	9,471
ISCAP warrants payable (Note 4)	1,746,000	0	1,746,000
ISCAP accrued interest payable (Note 4)	5,731	0	5,731
ISCAP unamortized premium	3,326	0	3,326
Deferred revenue:			
Succeeding year property tax	1,836,274	355,873	2,192,147
Income surtax	254,883	0	254,883
Total liabilities	4,319,057	376,814	4,695,871
Fund balances:			
Reserved for:			
Salary improvement program	212	0	212
Debt Service	0	38,900	38,900
Unreserved:			
Undesignated	931,551	435,070	1,366,621
Total fund balances	931,763	473,970	1,405,733
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,250,820	850,784	6,101,604

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 17) \$ 1,405,733

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

Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds. 3,832,551

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. (6,755)

Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period. 254,883

Long-term liabilities, including bonds payable, energy note, early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. (2,862,413)

Net assets of governmental activites (page 14) \$ 2,623,999

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 2,265,838	581,120	2,846,958
Tuition	74,551	0	74,551
Other	44,543	146,786	191,329
State sources	3,974,617	636	3,975,253
Federal sources	183,185	0	183,185
Total revenues	<u>6,542,734</u>	<u>728,542</u>	<u>7,271,276</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	2,831,355	11,369	2,842,724
Special instruction	996,430	0	996,430
Other instruction	457,123	112,176	569,299
	<u>4,284,908</u>	<u>123,545</u>	<u>4,408,453</u>
Support services:			
Student services	126,527	0	126,527
Instructional staff services	105,617	0	105,617
Administration services	716,555	7,974	724,529
Operation and maintenance of plant services	452,006	11,837	463,843
Transportation services	232,471	71,387	303,858
Central services	5,245	0	5,245
	<u>1,638,421</u>	<u>91,198</u>	<u>1,729,619</u>
Other expenditures:			
Long-term debt:			
Principal	0	162,230	162,230
Interest and fiscal charges	0	103,609	103,609
AEA flowthrough	253,884	0	253,884
	<u>253,884</u>	<u>265,839</u>	<u>519,723</u>
Total expenditures	<u>6,177,213</u>	<u>480,582</u>	<u>6,657,795</u>
Excess of revenues over expenditures	365,521	247,960	613,481
Other financing sources(uses):			
Sale of equipment	1,107	0	1,107
Transfers in	0	16,594	16,594
Transfers out	(16,594)	0	(16,594)
Total other financing sources(uses)	<u>(15,487)</u>	<u>16,594</u>	<u>1,107</u>
Net change in fund balances	350,034	264,554	614,588
Fund balance beginning of year	581,729	209,416	791,145
Fund balance end of year	<u>\$ 931,763</u>	<u>473,970</u>	<u>1,405,733</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 19) \$ 614,588

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

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

Capital outlays	\$ 96,624	
Depreciation expense	(170,799)	(74,175)

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	162,230
--------	---------

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.

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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	\$ 29,617	
Compensated absences	(798)	28,819

Changes in net assets of governmental activities (page 16) \$ 731,912

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	School Nutrition
ASSETS	
Inventories	\$ 5,671
Capital assets, net of accumulated depreciation	67,155
Total assets	72,826
 LIABILITIES	
Excess of warrants issued over bank balance	2,465
Salaries and benefits payable	38
Interfund payable	51,927
Deferred Revenue:	
Other	2,508
Total liabilities	56,938
 NET ASSETS	
Invested in capital assets, net of related debt	67,155
Unrestricted	(51,267)
Total net assets	\$ 15,888

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 149,137
TOTAL OPERATING REVENUES	149,137
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	101,975
Benefits	37,642
Services	6,531
Supplies	144,029
Depreciation	15,203
TOTAL OPERATING EXPENSES	305,380
OPERATING LOSS	(156,243)
NON-OPERATING REVENUES:	
State sources	3,824
Federal sources	101,423
Interest income	18
TOTAL NON-OPERATING REVENUES	105,265
Change in net assets	(50,978)
Net assets beginning of year	66,866
Net assets end of year	\$ 15,888

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 160,467
Cash received from miscellaneous operating activities	742
Cash payments to employees for services	(139,579)
Cash payments to suppliers for goods or services	(125,041)
Net cash used in operating activities	(103,411)
Cash flows from non-capital financing activities:	
State grants received	3,824
Federal grants received	76,596
Net cash provided by non-capital financing activities	80,420
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,095)
Net cash used in capital and related financing activities	(1,095)
Cash flows from investing activities:	
Interest on investments	18
Borrowings from General Fund	3,993
Net cash provided by investing activities	4,011
Net decrease in cash and cash equivalents	(20,075)
Cash and cash equivalents at beginning of year	17,610
Cash and cash equivalents at end of year	\$ (2,465)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (156,243)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	24,827
Depreciation	15,203
Decrease in inventories	692
Decrease in accounts receivable	9,564
Increase in salaries and benefits payable	38
Increase in deferred revenue	2,508
Net cash used in operating activities	\$ (103,411)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ (2,465)
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2004, the District received Federal commodities valued at \$24,827.

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 1,657
Total assets	<u>1,657</u>
Liabilities	
Total liabilities	<u>1,657</u>
Net assets	
Reserved for scholarships	<u>\$ 0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The Colfax-Mingo 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. The geographic area served includes the cities of Colfax and Mingo, Iowa, and the predominate agricultural territory in Jasper 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, Colfax-Mingo 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 Colfax-Mingo 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 Jasper County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The District reports the following proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's

principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursement in the non-instructional functional program area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$21,846 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investments in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	General	\$ 41,484
Debt Service	Capital Projects	4,914
PPEL	General	15,000
General	Management	800
General	Capital Projects	1,020
General	Activity	2,712
General	Nutrition	51,927
Total		<u>\$ 117,857</u>

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporations is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	6/20/03	6/18/04	694,699	3,779	690,000	5,731
2004-05A	6/30/04	6/30/05	1,047,077	0	1,056,000	0
Total			<u>\$ 1,741,776</u>	<u>3,779</u>	<u>1,746,000</u>	<u>5,731</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 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. There was no advance activity in the General Fund for the year ended June 30, 2004.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.250%	1.392%
2004-05A	3.000%	2.463%

(5) Capital Assets

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

	Balance Beginning of Year, as restated (Note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 123,219	0	0	123,219
Total capital assets not being depreciated	<u>123,219</u>	<u>0</u>	<u>0</u>	<u>123,219</u>
Capital assets being depreciated:				
Buildings	5,170,725	2,494	0	5,173,219
Land improvements	295,689	0	0	295,689
Machinery and equipment	797,333	94,130	0	891,463
Total capital assets being depreciated	<u>6,263,747</u>	<u>96,624</u>	<u>0</u>	<u>6,360,371</u>
Less accumulated depreciation for:				
Buildings	1,661,859	101,089	0	1,762,948
Land improvements	180,780	13,587	0	194,367
Machinery and equipment	637,601	56,123	0	693,724
Total accumulated depreciation	<u>2,480,240</u>	<u>170,799</u>	<u>0</u>	<u>2,651,039</u>
Total capital assets being depreciated, net	<u>3,783,507</u>	<u>(74,175)</u>	<u>0</u>	<u>3,709,332</u>
Governmental activities capital assets, net	<u>\$ 3,906,726</u>	<u>(74,175)</u>	<u>0</u>	<u>3,832,551</u>
	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 129,461	1,095	0	130,556
Less accumulated depreciation	48,198	15,203	0	63,401
Business-type activities capital assets, net	<u>\$ 81,263</u>	<u>(14,108)</u>	<u>0</u>	<u>67,155</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 14,924
Special		1,871
Other		331
Support services:		
Student support services		325
Administration		2,681
Operation and maintenance of plant		6,810
Transportation		29,181
		<u>56,123</u>
Unallocated depreciation		<u>114,676</u>
Total governmental activities depreciation expense		<u>\$ 170,799</u>
Business-type activities:		
Food services		\$ 15,203
Total business-type activities depreciation expense		<u>\$ 15,203</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,790,000	0	150,000	2,640,000	170,000
Energy Note	76,980	0	12,230	64,750	12,962
Early retirement	109,700	0	29,617	80,083	14,147
Compensated absences	76,782	7,269	6,471	77,580	77,580
Total	\$ 3,053,462	7,269	198,318	2,862,413	274,689

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded Indebtedness, which are paid from Debt Service are as follows:

Year Ending June 30,	Issue dated June 1, 2003			
	Interest Rates	Principal	Interest	Total
2005	2.250	\$ 170,000	81,565	251,565
2006	2.250	175,000	77,739	252,739
2007	2.250	180,000	73,801	253,801
2008	2.500	190,000	69,751	259,751
2009	2.750	190,000	65,001	255,001
2010	3.000	195,000	59,776	254,776
2011	3.125	205,000	53,926	258,926
2012	3.300	205,000	47,520	252,520
2013	3.400	210,000	40,755	250,755
2014	3.500	220,000	33,615	253,615
2015	3.600	225,000	25,915	250,915
2016	3.700	235,000	17,815	252,815
2017	3.800	240,000	9,120	249,120
Total		\$ 2,640,000	656,299	3,296,299

Energy Loan Note

During the fiscal year ended June 30, 1997, the District entered into an Energy Management Improvement Capital Loan Note to be paid from the General Fund. Details of the loan repayments are as follows:

Year Ending June 30,	Issue of September 4, 1996			
	Interest Rates	Principal	Interest	Total
2005	5.90	\$ 12,962	3,632	16,594
2006	5.90	13,738	2,856	16,594
2007	5.90	14,560	2,033	16,593
2008	5.90	15,432	1,162	16,594
2009	5.90	8,058	238	8,296
Total		\$ 64,750	9,921	74,671

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$205,028, \$199,957, \$200,676, respectively, equal to the required contributions for each year.

(8) Risk Management

Colfax-Mingo 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 \$253,884 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Accounting Change and Restatements

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

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

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been

restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$3,705,236 were restated to \$3,906,726. The restatement includes assets that were previously not reported.

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

	Fund		Total
	General	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 581,729	209,416	791,145
GASB Interpretation 6 adjustments	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 581,729</u>	<u>209,416</u>	<u>791,145</u>
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$2,480,240			3,906,726
Long-term liabilities:			
Bonds and notes		2,866,980	
Early retirement		109,700	
Compensated absences		76,782	(3,053,462)
Accrued interest payable			(7,205)
Income surtax			<u>254,883</u>
Net assets, July 1, 2003, as restated			<u>\$ 1,892,087</u>

(11) Budget Overexpenditures

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional are level. During the year ended June 30, 2004, disbursements in the non-instructional functional program area exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,938,184	161,227
Intermediate sources	0	0
State sources	3,989,313	3,824
Federal sources	124,080	101,423
Total revenues	<u>7,051,577</u>	<u>266,474</u>
Disbursements:		
Instruction	4,399,501	0
Support services	1,726,244	0
Non-instructional programs	0	290,542
Other expenditures	537,964	0
Total expenditures	<u>6,663,709</u>	<u>290,542</u>
Excess (deficiency) of receipts over (under) disbursements	387,868	(24,068)
Other financing sources, net	<u>1,107</u>	<u>0</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	388,975	(24,068)
Balance beginning of year	<u>1,265,072</u>	<u>(30,324)</u>
Balance end of year	<u>\$ 1,654,047</u>	<u>(54,392)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
3,099,411	3,121,162	3,121,162	(21,751)
0	7,000	7,000	(7,000)
3,993,137	4,069,736	4,069,736	(76,599)
225,503	185,000	185,000	40,503
<u>7,318,051</u>	<u>7,382,898</u>	<u>7,382,898</u>	<u>(64,847)</u>
4,399,501	4,750,222	4,750,222	350,721
1,726,244	1,923,240	1,923,240	196,996
290,542	272,391	272,391	(18,151)
537,964	570,045	570,045	32,081
<u>6,954,251</u>	<u>7,515,898</u>	<u>7,515,898</u>	<u>561,647</u>
363,800	(133,000)	(133,000)	496,800
1,107	0	0	1,107
364,907	(133,000)	(133,000)	497,907
1,234,748	598,519	598,519	636,229
<u>1,599,655</u>	<u>465,519</u>	<u>465,519</u>	<u>1,134,136</u>

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,051,577	219,699	7,271,276
Expenditures	6,663,709	(5,914)	6,657,795
Net	387,868	225,613	613,481
Other financing sources	1,107	0	1,107
Beginning fund balances	1,265,072	(473,927)	791,145
Ending fund balances	\$ 1,654,047	(248,314)	1,405,733

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 266,474	(12,072)	254,402
Expenditures	290,542	14,838	305,380
Net	(24,068)	(26,910)	(50,978)
Beginning fund balances	(30,324)	97,190	66,866
Ending fund balances	\$ (54,392)	70,280	15,888

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

During the year ended June 30, 2004, disbursements in the non-instructional functional program area exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds							
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS								
Cash and pooled investments	\$ 65,290	49,285	62,238	14,755	191,568	0	158,552	350,120
Receivables:								
Property tax:								
Current year delinquent	1,165	0	730	0	1,895	3,752	0	5,647
Succeeding year	60,000	0	44,309	0	104,309	251,564	0	355,873
Accounts	891	1,617	0	0	2,508	0	0	2,508
Interfund	0	0	15,000	0	15,000	46,398	0	61,398
Due from other governments	0	0	0	0	0	0	75,238	75,238
TOTAL ASSETS	\$ 127,346	50,902	122,277	14,755	315,280	301,714	233,790	850,784
LIABILITIES AND FUND EQUITY								
Liabilities:								
Excess of warrants issued over bank balance	\$ 0	0	0	0	0	11,250	0	11,250
Accounts payable	0	245	0	0	245	0	0	245
Interfund payable	800	2,712	0	0	3,512	0	5,934	9,446
Deferred revenue:								
Succeeding year property tax	60,000	0	44,309	0	104,309	251,564	0	355,873
Total Liabilities	60,800	2,957	44,309	0	108,066	262,814	5,934	376,814
Fund equity:								
Fund balances:								
Reserved:								
Debt Service	0	0	0	0	0	38,900	0	38,900
Unreserved:								
Undesignated	66,546	47,945	77,968	14,755	207,214	0	227,856	435,070
Total fund balances	66,546	47,945	77,968	14,755	207,214	38,900	227,856	473,970
TOTAL LIABILITIES AND FUND EQUITY	\$ 127,346	50,902	122,277	14,755	315,280	301,714	233,790	850,784

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Capital Projects	
REVENUES:								
Local sources:								
Local tax	\$ 74,416	0	47,884	0	122,300	246,864	211,956	581,120
Other	432	133,279	418	12,527	146,656	0	130	146,786
State sources	59	0	37	0	96	540	0	636
TOTAL REVENUES	74,907	133,279	48,339	12,527	269,052	247,404	212,086	728,542
EXPENDITURES:								
Current:								
Instruction:								
Regular instruction	10,819	0	0	550	11,369	0	0	11,369
Other instruction	0	112,176	0	0	112,176	0	0	112,176
Support services:								
Administration services	7,974	0	0	0	7,974	0	0	7,974
Operation and maintenance of plant services	0	0	11,837	0	11,837	0	0	11,837
Central support services	71,387	0	0	0	71,387	0	0	71,387
Other expenditures:								
Long-term debt:								
Principal	0	0	0	0	0	162,230	0	162,230
Interest and fiscal charges	0	0	0	0	0	103,609	0	103,609
TOTAL EXPENDITURES	90,180	112,176	11,837	550	214,743	265,839	0	480,582
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,273)	21,103	36,502	11,977	54,309	(18,435)	212,086	247,960
OTHER FINANCING SOURCES (USES):								
Transfers in	0	0	0	0	0	16,594	0	16,594
Total other financing sources (uses)	0	0	0	0	0	16,594	0	16,594
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(15,273)	21,103	36,502	11,977	54,309	(1,841)	212,086	264,554
FUND BALANCE BEGINNING OF YEAR	81,819	26,842	41,466	2,778	152,905	40,741	15,770	209,416
FUND BALANCE END OF YEAR	\$ 66,546	47,945	77,968	14,755	207,214	38,900	227,856	473,970

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Student Council	\$ 4,100	0	4,089	11
Elementary	10,327	8,230	6,670	11,887
Zoo Trip	156	0	131	25
Band	412	155	163	404
Interest	1,158	96	500	754
Cheerleaders	2,918	2,980	4,527	1,371
Student Council	548	1,694	1,221	1,021
Middle	1,749	20,854	20,067	2,536
MS Tag	584	437	328	693
Drama	192	151	0	343
Athletics	(19,741)	6,852	1,180	(14,069)
Cross Country	(802)	109	490	(1,183)
Boys Basketball	12,027	2,731	2,168	12,590
Football	2,984	12,408	7,730	7,662
Baseball	(4,609)	4,087	7,539	(8,061)
Boys Track	(2,264)	135	1,998	(4,127)
Boys Golf	(1,585)	1,264	996	(1,317)
Wrestling	2,055	8,918	8,549	2,424
Girls Basketball	3,705	2,834	2,032	4,507
Volleyball	2,258	3,186	2,195	3,249
Softball	(617)	15,326	8,625	6,084
Girls Track	(1,674)	1,826	566	(414)
Girls Golf	(943)	199	584	(1,328)
Interest	967	224	0	1,191
Cheerleaders	486	3,483	3,588	381
Student Council	6,993	6,440	2,274	11,159
Annual	518	3,795	1,187	3,126
Art Club	(100)	824	0	724
Ballfield Improvements	2,065	0	2,065	0
Class of 2002	179	0	0	179
Class of 2003	614	0	35	579
Class of 2004	(1,935)	345	317	(1,907)
Class of 2005	1,859	2,580	2,343	2,096
Class of 2006	0	534	0	534
Class of 2007	0	685	47	638
FFA	995	7,416	6,233	2,178
Icons Club	137	0	0	137
Sound Club	630	250	129	751
Spanish Club	(748)	3,666	800	2,118
Tigerhawk Club	377	0	0	377
Wrestling Pep Club	2,109	1,462	3,743	(172)
ISEC	761	0	0	761
Drill Team	(807)	7,103	7,067	(771)
Golf Legal	226	0	0	226
HS Pop Funds	(1,422)	0	0	(1,422)
Total	\$ 26,842	133,279	112,176	47,945

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 0	3,487	1,830	1,657
Total assets	\$ 0	3,487	1,830	1,657
Liabilities				
Due to other groups	\$ 0	3,487	1,830	1,657
Total liabilities	\$ 0	3,487	1,830	1,657

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 2,846,958	2,616,820	2,495,011	2,504,171
Tuition	74,551	80,432	107,635	300
Other	191,329	257,785	178,389	275,626
Intermediate sources	0	7,676	12,049	28,485
State sources	3,975,253	4,011,553	3,804,260	3,834,208
Federal sources	183,185	138,086	156,530	90,617
Total	\$ 7,271,276	7,112,352	6,753,874	6,733,407
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,842,724	2,746,916	2,764,553	2,750,791
Special instruction	996,430	1,003,359	1,041,337	828,143
Other instruction	569,299	566,983	548,830	558,229
Support services:				
Student services	126,527	99,139	104,880	176,787
Instructional staff services	105,617	95,591	110,822	119,814
Administration services	724,529	647,792	636,989	656,248
Operation and maintenance of plant services	463,843	571,933	544,647	532,646
Transportation services	303,858	292,408	224,728	232,222
Central services	5,245	13,394	82,525	82,689
Non-instructional programs	0	0	0	76
Other expenditures:				
Facilities acquisitions	0	4,042	25,152	94,217
Long-term debt:				
Principal	162,230	130,000	135,887	125,272
Interest and other charges	103,609	202,810	171,597	163,558
AEA flow-through	253,884	267,777	264,621	266,286
Total	\$ 6,657,795	6,642,144	6,656,568	6,586,978

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the
Colfax-Mingo Community School District:

We have audited the financial statements of Colfax-Mingo Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 15, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for II-B-04 and II-K-04.

Internal Control Over Financial Reporting

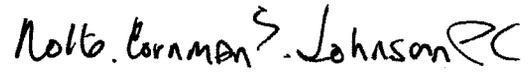
In planning and performing our audit, we considered Colfax-Mingo Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control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

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

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

November 15, 2004

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

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

REPORTABLE CONDITIONS:

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

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

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

Conclusion - Response accepted.

I-B-04 Student Activity Account - We noted during our audit that the Student Activity Fund had balances in old class accounts.

Recommendation - These accounts are inactive accounts as the classes have graduated and therefore is no longer legitimate funds. These balances may be transferred to another student activity account in accordance with the Uniform Accounting Procedural Manual.

Response - These funds will be used up by the respective classes before exiting school. Any balances left will be transferred to another activity account.

Conclusion - Response accepted.

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

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

Response - We will pursue using pre-numbered tickets at all activities and to reconcile the cash box to the tickets sold.

Conclusion - Response accepted.

I-D-04 Student Activity Fund – We noted during our audit that the Student Activity Fund included an interest account. We also noted during our audit that the District wrote checks to individual students in the Student Activity Fund. According to the Uniform Accounting Manual for the Department of Education, no funds from a student organization may be distributed to individual students.

Recommendation – The interest earned each year should be allocated at least on an annual basis to the individual activity accounts. The District should review procedures in place to ensure no checks are written to individual students.

Response – Interest will be transferred to individual activity accounts. The District will pursue issuing student checks in a trust fund.

Conclusion – Response accepted.

I-E-04 Checks Outstanding – We noted during our audit that the District had checks included in the bank reconciliations for the Nutrition and Activity Fund which have been outstanding for over one year.

Recommendation – The District should adopt a policy which would allow for the write-off of outstanding checks after a reasonable length of time. The District should report the unclaimed property to the Great Iowa Treasure Hunt.

Response – We will comply.

Conclusion – Response accepted.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

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

II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the certified budget amounts in the non-instructional programs functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend our budget so as to avoid overexpenditures in any of the four functional areas.

Conclusion – Response accepted.

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

II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions - No business transactions between the District and District officials were noted.

II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However we did note that the minutes and monthly bills were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, and a listing of bills presented for payment including a description of the claim on a monthly basis.

Response – We will comply.

Conclusion – Response accepted.

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

II-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-04 Financial Condition - We noted that the Student Activity Fund had accounts with a negative balance at June 30, 2004.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

Response – We will comply.

Conclusion – Response accepted.