

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	22
Statement of Cash Flows	I	23
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	24
Statement of Changes in Fiduciary Net Assets	K	25
Notes to Financial Statements		26-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		37-38
Budget to GAAP Reconciliation		39
Notes to Required Supplementary Information - Budgetary Reporting		40
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	42
Schedule of Changes in Student Activity Accounts	3	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	44
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		45-46
Schedule of Findings		47-49

Edgewood-Colesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
James Lueken	President	2004
Randall Mescher	Vice-President	2004
Joan Kerns	Board Member	2003
Joe Johnson	Board Member	2003
Scot Christiansen	Board Member	2005

Board of Education (After September 2003 Election)		
James Lueken	President	2004
Randall Mescher	Vice President	2004
Joan Kerns	Board Member	2006
Joe Johnson	Board Member	2006
Scot Christiansen	Board Member	2005

School Officials		
Galen Reinsmoen	Superintendent	2004
Martha Romig	District Secretary and Business Manager	2004
Marc Casey	Attorney	2004

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Edgewood-Colesburg 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 Edgewood-Colesburg 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 Edgewood-Colesburg 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 11 to the financial statements, during the year ended June 30, 2004, Edgewood-Colesburg 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 September 9, 2004, on our consideration of the Edgewood-Colesburg 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 37 through 40 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 Edgewood-Colesburg 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 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

September 9, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Edgewood-Colesburg 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 \$4,160,410 in fiscal 2003 to \$4,154,377 in fiscal 2004, while General Fund expenditures increased from \$4,038,757 in fiscal 2003 to \$4,264,293 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$740,319 in fiscal 2003 to a balance of \$630,403 in fiscal 2004, a 15% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state revenue in fiscal 2004. The increase in expenditures was due to an increase in all expenditure functional areas.
- The new 12 classroom addition to the JR/SR High School was completed in May 2004. The total cost of the project was \$2,400,000. The 20 year bond was for \$2,270,000.

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 Edgewood-Colesburg Community School District as a whole and present an overall view of the District's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

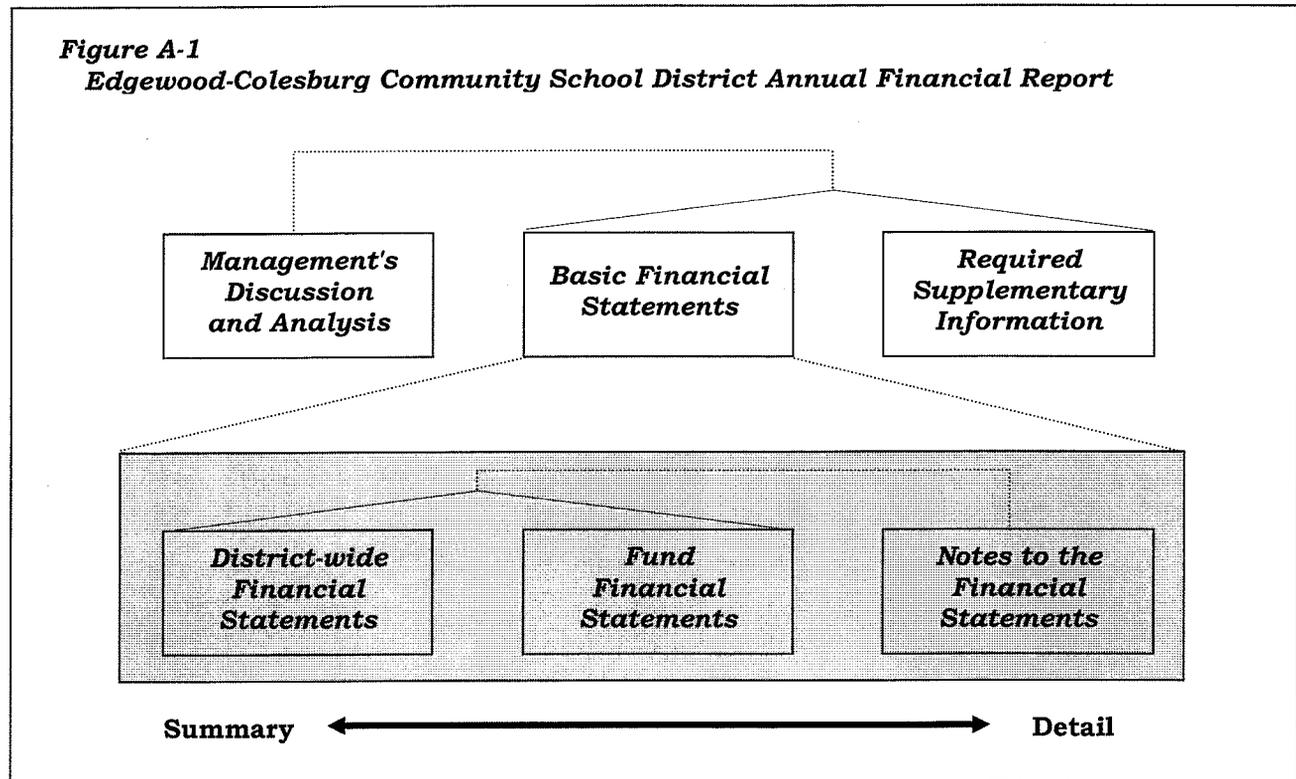


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: 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 financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring 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.

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 3,546,984	46,458	3,593,442
Capital Assets	5,081,205	19,594	5,100,799
Total assets	8,628,189	66,052	8,694,241
Long-term obligations	3,716,250	0	3,716,250
Other liabilities	2,642,980	42,708	2,685,688
Total liabilities	6,359,230	42,708	6,401,938
Net assets:			
Invested in capital assets, net of related debt	1,625,385	19,594	1,644,979
Restricted	104,751	0	104,751
Unrestricted	538,823	3,750	542,573
Total net assets	\$ 2,268,959	23,344	2,292,303

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	\$ 768,901	174,410	943,311
Operating grants and contributions and restricted interest	572,075	93,961	666,036
General revenues:			
Property tax	1,711,905	0	1,711,905
Local option sales and service tax	71,608	0	71,608
Unrestricted state grants	1,784,005	0	1,784,005
Unrestricted investment earnings	28,669	243	28,912
Total revenues	4,937,163	268,614	5,205,777
Program expenses:			
Governmental activities:			
Instructional	2,698,669	0	2,698,669
Support services	1,521,693	0	1,521,693
Non-instructional programs	2,942	264,207	267,149
Other expenses	448,933	0	448,933
Total expenses	4,672,237	264,207	4,936,444
 Change in net assets	 \$ 264,926	 4,407	 269,333

Property tax and unrestricted state grants account for approximately 67% of the total revenue. The District's expenses primarily relate to instruction and support services which account for approximately 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,937,163 and expenses were \$4,672,237.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,698,669	1,522,139
Support services	1,521,693	1,521,693
Non-instructional programs	2,942	2,942
Other expenses	448,933	284,487
Totals	\$ 4,672,237	3,331,261

- The cost financed by users of the District's programs was \$768,901.

-
- Federal and state governments subsidized certain programs with grants and contributions totaling \$572,075.
 - The net cost of governmental activities was financed with \$1,711,905 in property and other taxes, \$71,608 in local option sales tax services, and \$1,784,005 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities were \$268,614 and expenses were \$264,207. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$841,976, below last year's ending fund balances of a \$2,912,077.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. A decrease in revenues and an increase in expenditures resulted in the General Fund balance to decrease.
- The General Fund balance decreased from \$740,319 to \$630,403, due in part to the prior year reduction in state aid.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$18,937 at June 30, 2003 to \$23,344 at June 30, 2004, representing an increase of approximately 23%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Edgewood-Colesburg Community School District amended its annual budget one time to reflect increased expenditures.

The District's receipts were \$120,162 more than budgeted receipts, a variance of 2.37%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of disbursements paid.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$5,100,799, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$200,326.

The original cost of the District's capital assets was \$7,024,706. Governmental funds account for \$6,899,298 with the remainder of \$125,408 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$5,910,477 at June 30, 2004, compared to \$3,640,477 reported at June 30, 2003.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Land	\$ 108,928	0	108,928
Buildings	4,764,000	0	4,764,000
Improvements other than buildings	81,895	0	81,895
Machinery and equipment	126,382	19,594	145,976
Total	\$ 5,081,205	19,594	5,100,799

Long-Term Debt

At June 30, 2004, the District had \$3,716,250 in general obligation and other long-term debt outstanding. This represents a decrease of 6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General obligation bonds	\$ 3,590,000	3,805,000	-5.7%
Early retirement	126,250	166,356	-24.1%
Totals	\$ 3,716,250	3,971,356	-6.4%

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 Martha Romig, Board Secretary, Edgewood-Colesburg Community School District, 403 W. Union St., P.O. Box 315, Edgewood, Iowa, 52042.

BASIC FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP(Note 5)	\$ 667,299	0	667,299
Other	1,063,999	35,331	1,099,330
Receivables			
Property tax:			
Delinquent	26,497	0	26,497
Succeeding year	1,577,499	0	1,577,499
Income surtax	74,662	0	74,662
Accounts	150	0	150
Accrued ISCAP interest(Note 5)	1,063	0	1,063
Due from other funds	100,629	0	100,629
Due from other governments	35,186	0	35,186
Inventories	0	11,127	11,127
Capital assets, net of accumulated depreciation(Note 6)	5,081,205	19,594	5,100,799
TOTAL ASSETS	8,628,189	66,052	8,694,241
LIABILITIES			
Accounts payable	7,099	0	7,099
Salaries and benefits payable	313,623	0	313,623
ISCAP warrants payable(Note 5)	670,000	0	670,000
ISCAP accrued interest payable(Note 5)	1,611	0	1,611
ISCAP unamortized premium	935	0	935
Accrued interest payable	12,634	0	12,634
Due to other funds	59,579	41,050	100,629
Deferred revenue:			
Succeeding year property tax	1,577,499	0	1,577,499
Other	0	1,658	1,658
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds	235,000	0	235,000
Early Retirement	30,250	0	30,250
Portion due after one year:			
General obligation bonds	3,355,000	0	3,355,000
Early Retirement	96,000	0	96,000
TOTAL LIABILITIES	6,359,230	42,708	6,401,938
NET ASSETS			
Investment in capital assets, net of related debt	1,625,385	19,594	1,644,979
Restricted for:			
Teacher Quality	141	0	141
Other special revenue purposes	104,610	0	104,610
Unrestricted	538,823	3,750	542,573
TOTAL NET ASSETS	\$ 2,268,959	23,344	2,292,303

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG 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	\$ 1,690,513	768,901	378,917
Special instruction	593,104	0	28,712
Other instruction	415,052	0	0
	<u>2,698,669</u>	<u>768,901</u>	<u>407,629</u>
Support services:			
Student services	110,208	0	0
Instructional staff services	131,528	0	0
Administration services	679,035	0	0
Operation and maintenance of plant services	273,456	0	0
Transportation services	327,466	0	0
	<u>1,521,693</u>	<u>0</u>	<u>0</u>
Non-instructional programs	2,942	0	0
Other expenditures:			
Long-term debt interest	158,998	0	0
AEA flowthrough	164,446	0	164,446
Depreciation (unallocated) *	125,489	0	0
	<u>448,933</u>	<u>0</u>	<u>164,446</u>
Total governmental activities	4,672,237	768,901	572,075
Business-Type activities:			
Non-instructional programs:			
Nutrition services	264,207	174,410	93,961
Total business-type activities	<u>264,207</u>	<u>174,410</u>	<u>93,961</u>
Total	<u>\$ 4,936,444</u>	<u>943,311</u>	<u>666,036</u>

General Revenues:

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

Changes in net assets

Net assets beginning of year, as restated (Note 11)

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
(542,695)	0	(542,695)
(564,392)	0	(564,392)
(415,052)	0	(415,052)
<u>(1,522,139)</u>	<u>0</u>	<u>(1,522,139)</u>
(110,208)	0	(110,208)
(131,528)	0	(131,528)
(679,035)	0	(679,035)
(273,456)	0	(273,456)
(327,466)	0	(327,466)
<u>(1,521,693)</u>	<u>0</u>	<u>(1,521,693)</u>
(2,942)		(2,942)
(158,998)	0	(158,998)
0	0	0
(125,489)	0	(125,489)
<u>(284,487)</u>	<u>0</u>	<u>(284,487)</u>
(3,331,261)	0	(3,331,261)
0	4,164	4,164
0	4,164	4,164
<u>(3,331,261)</u>	<u>4,164</u>	<u>(3,327,097)</u>
\$ 1,294,339	0	1,294,339
380,501	0	380,501
37,065	0	37,065
71,608	0	71,608
1,784,005	0	1,784,005
28,669	243	28,912
<u>3,596,187</u>	<u>243</u>	<u>3,596,430</u>
264,926	4,407	269,333
2,004,033	18,937	2,022,970
<u>\$ 2,268,959</u>	<u>23,344</u>	<u>2,292,303</u>

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 667,299	0	0	667,299
Other	826,130	91,860	146,009	1,063,999
Receivables:				
Property tax:				
Delinquent	19,077	0	7,420	26,497
Succeeding year	1,153,076	0	424,423	1,577,499
Income surtax	74,662	0	0	74,662
Accounts	150	0	0	150
Accrued ISCAP interest(Note 5)	1,063	0	0	1,063
Due from other funds	100,629	0	0	100,629
Due from other governments	9,323	25,863	0	35,186
TOTAL ASSETS	\$ 2,851,409	117,723	577,852	3,546,984
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,099	0	0	7,099
Salaries and benefits payable	313,623	0	0	313,623
ISCAP warrants payable(Note 5)	670,000	0	0	670,000
ISCAP accrued interest payable(Note 5)	1,611	0	0	1,611
ISCAP unamortized premium	935	0	0	935
Due to other funds	0	0	59,579	59,579
Deferred revenue:				
Succeeding year property tax	1,153,076	0	424,423	1,577,499
Income surtax	74,662	0	0	74,662
Total liabilities	2,221,006	0	484,002	2,705,008
Fund balances:				
Reserved for:				
Teacher Quality	141	0	0	141
Debt Service	0	0	29,091	29,091
Unreserved:				
Undesignated	630,262	117,723	64,759	812,744
Total fund balances	630,403	117,723	93,850	841,976
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,851,409	117,723	577,852	3,546,984

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG 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)	\$	841,976
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		5,081,205
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.		(12,634)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		74,662
Long-term liabilities, including bonds and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.		(3,716,250)
		<hr style="width: 100%;"/>
Net assets of governmental activites (page 14)	\$	<u><u>2,268,959</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,251,787	71,608	460,118	1,783,513
Tuition	478,385	0	0	478,385
Other	68,125	39,286	211,774	319,185
State sources	2,133,576	0	0	2,133,576
Federal sources	222,504	0	0	222,504
Total revenues	<u>4,154,377</u>	<u>110,894</u>	<u>671,892</u>	<u>4,937,163</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,726,906	0	250	1,727,156
Special instruction	589,104	0	0	589,104
Other instruction	215,726	0	198,487	414,213
	<u>2,531,736</u>	<u>0</u>	<u>198,737</u>	<u>2,730,473</u>
Support services:				
Student services	110,208	0	0	110,208
Instructional staff services	131,528	0	0	131,528
Administration services	659,868	0	16,568	676,436
Operation and maintenance of plant services	401,150	0	32,804	433,954
Transportation services	262,857	0	10,762	273,619
	<u>1,565,611</u>	<u>0</u>	<u>60,134</u>	<u>1,625,745</u>
Non-instructional programs	2,500	0	442	2,942
Other expenditures:				
Facilities acquisitions	0	2,116,448	0	2,116,448
Long-term debt:				
Principal	0	0	215,000	215,000
Interest and fiscal charges	0	0	152,210	152,210
AEA flowthrough	164,446	0	0	164,446
	<u>164,446</u>	<u>2,116,448</u>	<u>367,210</u>	<u>2,648,104</u>
Total expenditures	<u>4,264,293</u>	<u>2,116,448</u>	<u>626,523</u>	<u>7,007,264</u>
Excess (deficiency) of revenues over (under) expenditures	(109,916)	(2,005,554)	45,369	(2,070,101)
Other financing sources (uses):				
Transfers in	0	78,050	0	78,050
Transfers out	0	0	(78,050)	(78,050)
Total other financing sources (uses)	<u>0</u>	<u>78,050</u>	<u>(78,050)</u>	<u>0</u>
Net change in fund balances	(109,916)	(1,927,504)	(32,681)	(2,070,101)
Fund balance beginning of year	740,319	2,045,227	126,531	2,912,077
Fund balance end of year	<u>\$ 630,403</u>	<u>117,723</u>	<u>93,850</u>	<u>841,976</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG 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) \$ (2,070,101)

***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	\$ 2,285,000	
Depreciation expense	<u>(198,291)</u>	2,086,709

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	215,000
--------	---------

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

(6,788)

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	40,106
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Changes in net assets of governmental activities (page 16) \$ 264,926

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 35,331
Inventories	11,127
Capital assets, net of accumulated depreciation	19,594
Total assets	<u>66,052</u>
LIABILITIES	
Due to other funds	41,050
Deferred revenue	1,658
Total liabilities	<u>42,708</u>
NET ASSETS	
Invested in capital assets, net of related debt	19,594
Unrestricted	3,750
Total net assets	<u>\$ 23,344</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 174,410
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	86,611
Benefits	12,349
Services	2,190
Supplies	160,894
Other	128
Depreciation	2,035
Total operating expenses	264,207
Operating loss	(89,797)
Non-operating revenues:	
State sources	3,111
Federal sources	90,850
Interest on investments	243
Total non-operating revenues	94,204
Change in net assets	4,407
Net assets beginning of year	18,937
Net assets end of year	\$ 23,344

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG 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	\$ 165,116
Cash received from miscellaneous operating activities	8,610
Cash payments to employees for services	(99,023)
Cash payments to suppliers for goods or services	(152,073)
Net cash used in operating activities	(77,370)
Cash flows from non-capital financing activities:	
State grants received	3,111
Federal grants received	86,218
Net cash provided by non-capital financing activities	89,329
Cash flows from investing activities:	
Interest on investments	243
Net cash provided by investing activities	243
Net increase in cash and cash equivalents	12,202
Cash and cash equivalents at beginning of year	23,129
Cash and cash equivalents at end of year	\$ 35,331
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (89,797)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,158
Depreciation	2,035
Increase in inventories	(2,019)
Decrease in salaries and benefits payable	(63)
Decrease in deferred revenue	(684)
Net cash used in operating activities	\$ (77,370)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 35,331

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2004, the District received Federal commodities valued at \$13,158.

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Private Purpose Trust
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 6,066
Total assets	<u>6,066</u>
Liabilities	
Total liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 6,066</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2004

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and Contributions	\$ 0
Total additions	<u>0</u>
Deductions:	
Support services:	
Scholarships awarded	0
	<u>0</u>
Change in net assets	0
Net assets beginning of year	<u>6,066</u>
Net assets end of year	<u>\$ 6,066</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The Edgewood-Colesburg 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 Edgewood and Colesburg, Iowa, and the predominate agricultural territory in Delaware and Clayton Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Edgewood-Colesburg 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 Edgewood-Colesburg 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 Delaware and Clayton Counties Assessors' Conference Board.

B. Basis of Presentation

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

are reported separately from business-type activities, which rely to a significant extent on fees and charges for 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 and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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 Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using 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
Improvements other than buildings	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	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, disbursements in the support services functional area exceeded the amounts 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage District.

The District had no investments at June 30, 2004.

(3) 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
General Fund	PPEL	52,519
General Fund	Debt Service	7,060
General Fund	Nutrition	41,050
Total		<u>\$ 100,629</u>

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Capital Projects	PPEL	<u>\$ 78,050</u>

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

(5) 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 corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	\$ 195,321	1,063	194,000	0
2004-05A	6/30/04	6/30/05	471,978	0	476,000	1,611
			<u>\$ 667,299</u>	<u>1,063</u>	<u>670,000</u>	<u>1,611</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 on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity for the year ended June 30, 2004.

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

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

(6) Capital Assets

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

	Balance Beginning of Year, as restated (Note 11)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 108,928	0	0	108,928
Total capital assets not being depreciated	108,928	0	0	108,928
Capital assets being depreciated:				
Buildings	3,640,477	2,270,000	0	5,910,477
Improvements other than buildings	107,876	0	0	107,876
Machinery and equipment	757,017	15,000	0	772,017
Total capital assets being depreciated	4,505,370	2,285,000	0	6,790,370
Less accumulated depreciation for:				
Buildings	1,026,382	120,095	0	1,146,477
Improvements other than buildings	20,587	5,394	0	25,981
Machinery and equipment	572,833	72,802	0	645,635
Total accumulated depreciation	1,619,802	198,291	0	1,818,093
Total capital assets being depreciated, net	2,885,568	2,086,709	0	4,972,277
Governmental activities capital assets, net	\$ 2,994,496	2,086,709	0	5,081,205

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 143,307	0	17,899	125,408
Less accumulated depreciation	121,678	2,035	17,899	105,814
Business-type activities capital assets, net	\$ 21,629	(2,035)	0	19,594

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 3,463
Special		4,000
Other		839
Support services:		
Administration		2,599
Operation and maintenance of plant		8,054
Transportation		53,847
		72,802
Unallocated depreciation		125,489
Total governmental activities depreciation expense		\$ 198,291
Business-type activities:		
Food services		\$ 2,035
Total business-type activities depreciation expense		\$ 2,035

(7) 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	\$ 3,805,000	0	215,000	3,590,000	235,000
Early retirement	166,356	18,250	58,356	126,250	30,250
Total	\$ 3,971,356	18,250	273,356	3,716,250	265,250

Bonded Debt

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

Year Ending June 30,	Bond Issue of May 1, 2001			Bond Issue of May 1, 2003			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2005	3.90	235,000	53,675			82,880	235,000	136,555	371,555
2006	4.00	230,000	44,510			82,880	230,000	127,390	357,390
2007	4.05	250,000	35,310			82,880	250,000	118,190	368,190
2008	4.10	270,000	25,185			82,880	270,000	108,065	378,065
2009	4.20	290,000	14,115			82,880	290,000	96,995	386,995
2010	4.30	45,000	1,935	3.50	170,000	82,880	215,000	84,815	299,815
2011				3.50	225,000	76,930	225,000	76,930	301,930
2012				3.50	235,000	69,055	235,000	69,055	304,055
2013				3.50	245,000	60,830	245,000	60,830	305,830
2014				3.65	255,000	52,255	255,000	52,255	307,255
2015				3.65	265,000	42,948	265,000	42,948	307,948
2016				3.70	280,000	33,275	280,000	33,275	313,275
2017				3.80	290,000	22,915	290,000	22,915	312,915
2018				3.90	305,000	11,895	305,000	11,895	316,895
Total		\$ 1,320,000	174,730		\$ 2,270,000	867,383	\$ 3,590,000	1,042,113	4,632,113

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 ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a \$30 per day of unused sick leave and subject to a maximum of \$4,000 per individual per year. Early retirement benefits paid during the year ended June 30, 2004, totaled \$58,356.

(8) 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 payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$144,011, \$143,553, \$139,208, respectively, equal to the required contributions for each year.

(9) Risk Management

Edgewood-Colesburg 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.

(10) 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 \$164,446 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.

(11) 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 \$5,691,957 were restated to \$4,614,298. The restatement

primarily removed assets below the District's capitalizations threshold.

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

	Fund			Total
	General	Capital Projects	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 740,319	2,045,227	126,531	2,912,077
GASB Interpretation 6 adjustments	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	\$ 740,319	2,045,227	126,531	2,912,077
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$1,619,802				2,994,496
Long-term liabilities:				
Bonds			3,805,000	
Early Retirement			166,356	(3,971,356)
Accrued interest payable				(5,846)
Income surtax				74,662
Net assets, July 1, 2003, as restated				\$ 2,004,033

(12) 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 support services functional area exceeded the amount budgeted.

(13) Deficit Fund Balance

The District had a deficit fund balance in the Physical Plant and Equipment Levy (PEEL) of \$51,846 at June 30, 2004.

REQUIRED SUPPLEMENTAL INFORMATION

EDGEWOOD-COLESBURG 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	\$ 2,556,429	173,969
State sources	2,138,767	3,111
Federal sources	224,344	99,376
Total revenues	<u>4,919,540</u>	<u>276,456</u>
Disbursements:		
Instruction	2,263,009	0
Support services	1,779,046	0
Non-instructional programs	2,942	264,254
Other expenditures	2,713,676	0
Total expenditures	<u>6,758,673</u>	<u>264,254</u>
Excess(deficiency) of receipts over(under) disbursements	(1,839,133)	12,202
Other financing sources, net	<u>0</u>	<u>0</u>
Excess(deficiency) of receipts over(under) disbursements	(1,839,133)	12,202
Balance beginning of year	<u>2,944,182</u>	<u>(17,921)</u>
Balance end of year	<u>\$ 1,105,049</u>	<u>(5,719)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,730,398	2,638,393	2,638,393	92,005
2,141,878	2,214,441	2,214,441	(72,563)
323,720	223,000	223,000	100,720
<u>5,195,996</u>	<u>5,075,834</u>	<u>5,075,834</u>	<u>120,162</u>
2,263,009	2,501,335	2,621,335	358,326
1,779,046	1,711,251	1,711,251	(67,795)
267,196	300,235	300,235	33,039
<u>2,713,676</u>	<u>2,559,169</u>	<u>2,784,169</u>	<u>70,493</u>
<u>7,022,927</u>	<u>7,071,990</u>	<u>7,416,990</u>	<u>394,063</u>
(1,826,931)	(1,996,156)	(2,341,156)	(514,225)
0	2,245,000	2,245,000	2,245,000
(1,826,931)	248,844	(96,156)	1,730,775
<u>2,926,261</u>	<u>786,235</u>	<u>786,235</u>	<u>2,140,026</u>
<u>1,099,330</u>	<u>1,035,079</u>	<u>690,079</u>	<u>409,251</u>

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 4,919,540	17,623	4,937,163
Expenditures	6,758,673	248,591	7,007,264
Net	(1,839,133)	(230,968)	(2,070,101)
Other financing sources, net	0	0	0
Beginning fund balances	2,944,182	(32,105)	2,912,077
Ending fund balances	\$ 1,105,049	(263,073)	841,976

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 276,456	(7,842)	268,614
Expenditures	264,254	(47)	264,207
Net	12,202	(7,795)	4,407
Other financing sources, net	0	0	0
Beginning fund balances	(17,921)	36,858	18,937
Ending fund balances	\$ (5,719)	29,063	23,344

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted Disbursements by \$345,000.

During the year ended June 30, 2004, disbursements in the support services functional area exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

EDGEWOOD-COLESBURG 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	Total Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 11,312	96,778	75	7,832	115,997	30,012	146,009
Receivables:							
Property tax:							
Current year delinquent	683	0	598	0	1,281	6,139	7,420
Succeeding year	42,000	0	35,451	0	77,451	346,972	424,423
TOTAL ASSETS	\$ 53,995	96,778	36,124	7,832	194,729	383,123	577,852
LIABILITIES AND FUND EQUITY							
Liabilities:							
Due to other funds	0	0	52,519	0	52,519	7,060	59,579
Deferred revenue:							
Succeeding year property tax	42,000	0	35,451	0	77,451	346,972	424,423
Total Liabilities	42,000	0	87,970	0	129,970	354,032	484,002
Fund equity:							
Fund balances:							
Reserved:							
Debt Service	0	0	0	0	0	29,091	29,091
Unreserved:							
Undesignated	11,995	96,778	(51,846)	7,832	64,759	0	64,759
Total fund balances	11,995	96,778	(51,846)	7,832	64,759	29,091	93,850
TOTAL LIABILITIES AND FUND EQUITY	\$ 53,995	96,778	36,124	7,832	194,729	383,123	577,852

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDGEWOOD-COLESBURG 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	
REVENUES:							
Local sources:							
Local tax	\$ 42,552	0	37,065	0	79,617	380,501	460,118
Other	49	208,218	1,110	644	210,021	1,753	211,774
TOTAL REVENUES	42,601	208,218	38,175	644	289,638	382,254	671,892
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction		0	0	250	250	0	250
Other instruction		0	198,487	0	198,487	0	198,487
Support services:							
Administration services	16,568	0	0	0	16,568	0	16,568
Operation and maintenance of plant services	32,804	0	0	0	32,804	0	32,804
Student transportation	10,762	0	0	0	10,762	0	10,762
Non-instructional programs	442	0	0	0	442	0	442
Other expenditures:							
Long-term debt:							
Principal	0	0	0	0	0	215,000	215,000
Interest and fiscal charges	0	0	0	0	0	152,210	152,210
TOTAL EXPENDITURES	60,576	198,487	0	250	259,313	367,210	626,523
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(17,975)	9,731	38,175	394	30,325	15,044	45,369
OTHER FINANCING USES:							
Transfers out	0	0	(78,050)	0	(78,050)	0	(78,050)
Total other financing uses	0	0	(78,050)	0	(78,050)	0	(78,050)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(17,975)	9,731	(39,875)	394	(47,725)	15,044	(32,681)
FUND BALANCE BEGINNING OF YEAR	29,970	87,047	(11,971)	7,438	112,484	14,047	126,531
FUND BALANCE END OF YEAR	\$ 11,995	96,778	(51,846)	7,832	64,759	29,091	93,850

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDGEWOOD-COLESBURG 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
Drama	\$ 425	4,717	4,929	213
Friends of the Arts	1,087	1,909	1,542	1,454
ED-CO Partners	4,808	4,420	4,753	4,475
Elem. Band Student Purchase	(406)	986	815	(235)
Track	0	2,274	2,274	0
Golf	50	1,651	1,701	0
Boys Basketball	666	3,637	3,412	891
Boys Basketball Fundraising	498	1,271	1,424	345
Football	303	6,048	3,621	2,730
Baseball	39	4,108	4,147	0
Wrestling	63	2,120	2,183	0
Girls Basketball	930	3,798	3,995	733
Volleyball Fundraiser	1,335	4,434	5,120	649
Volleyball	0	2,256	2,172	84
Softball	448	5,117	5,516	49
Softball Fundraising	4,073	4,475	8,432	116
Elem. Perrinjaquet Asst.	1,255	89	112	1,232
Perrinjaquet Assistance	4,403	0	1	4,402
Perrinjaquet Income	19	0	0	19
HS Supplies	8,182	0	3,802	4,380
Elem. Activities	12,811	16,600	13,626	15,785
Concessions	1,866	14,022	12,562	3,326
Post Prom	600	10,579	7,941	3,238
Elem. Fundraising	0	38,857	38,857	0
Envir. First Grant/FFA	1,264	1,550	12	2,802
BOIC Grant/FFA	(223)	250	0	27
Cheerleading	775	0	0	775
FFA	1,256	23,073	24,341	(12)
Spanish Club	2,985	0	0	2,985
FFA CD	2,212	29	0	2,241
HS Student Council	956	358	880	434
Class of 2003	(266)	266	0	0
Class of 2004	2,015	728	2,743	0
Class of 2005	4,240	165	2,090	2,315
Class of 2006	5,972	77	153	5,896
Class of 2007	7,205	77	145	7,137
Class of 2008	4,238	7,769	5,057	6,950
Class of 2009	0	7,500	3,992	3,508
Athletics General	460	1,105	1,439	126
Athletics Vending	404	5,204	5,363	245
JH Student Council	166	64	136	94
Yearbook	10,715	14,171	8,607	16,279
F.B.L.A.	69	5,332	4,722	679
Athletic Supplies	114	5,665	4,924	855
Band Resale	(965)	1,092	946	(819)
Band Fundraising	0	375	0	375
Total	\$ 87,047	208,218	198,487	96,778

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,783,513	1,676,469	1,607,550	1,466,725
Tuition	478,385	439,058	349,172	334,944
Other	319,185	298,629	266,719	302,445
State sources	2,133,576	2,181,788	2,240,314	2,363,397
Federal sources	222,504	189,388	158,250	148,490
Total	\$ 4,937,163	4,785,332	4,622,005	4,616,001
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,727,156	1,766,710	1,710,088	1,680,340
Special instruction	589,104	530,872	505,019	458,857
Other instruction	414,213	429,223	386,080	341,061
Support services:				
Student services	110,208	111,590	109,397	135,165
Instructional staff services	131,528	180,611	166,844	158,450
Administration services	676,436	486,941	429,615	454,644
Operation and maintenance of plant services	433,954	362,641	344,954	375,879
Transportation services	273,619	289,882	257,260	263,243
Non-instructional programs	2,942	210	250	324
Other expenditures:				
Facilities acquisitions	2,116,448	280,466	160,067	32,323
Long-term debt:				
Principal	215,000	215,000	211,021	194,616
Interest and other charges	152,210	70,454	86,050	153,522
AEA flow-through	164,446	176,893	178,412	188,104
Total	\$ 7,007,264	4,901,493	4,545,057	4,436,528

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of the
Edgewood-Colesburg Community School District:

We have audited the financial statements of Edgewood-Colesburg Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 9, 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 Edgewood-Colesburg 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-G-04 and II-L-04.

Internal Control Over Financial Reporting

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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Edgewood-Colesburg Community School District and other parties to whom Edgewood-Colesburg 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 Edgewood-Colesburg 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.

September 9, 2004

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

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

REPORTABLE CONDITIONS:

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

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

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

Conclusion - Response accepted.

I-B-04 Checks Outstanding – We noted during our audit that the District had checks included in the Nutrition Fund bank reconciliation 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 work on this.

Conclusion – Response accepted.

EDGEWOOD-COLESBURG 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 amount budgeted in the support services functional area.

Recommendation – The 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 – The District will monitor this in the future.

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

Name, Title and Business Connection	Transaction Description	Amount
Randy Mescher, Board Member Owner of Edgewood Building Center	Supplies	\$ 1,417
Joan Kerns, Board Member Spouse Co-Owner of Edgewood Locker	Supplies	\$ 3,918

In accordance with the Attorney General's opinion dated July 2, 1990, the above transaction with the spouse of the Board Member does not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member does not appear to represent a conflict of interest.

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

II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

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

Response – The District is working on this.

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 – The District had a deficit unreserved fund balance of \$51,846 in the Physical Plant and Equipment Levy Fund. We also noted that several Student Activity Accounts had deficit balances at June 30, 2004.

Recommendation – The District should investigate alternatives to eliminate deficits in order to return these funds to a sound financial condition.

Response – The deficit in the PPEL fund is money borrowed from the General Fund and will be paid back with PPEL tax dollars. We will also monitor the Student Activity Fund to try and eliminate the deficit accounts..

Conclusion – Response accepted.