

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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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 2004 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

Board of Education  
(After September 2004 Election)

William Gannon	President	2006
Don Goodman	Board Member	2005
Monte Wilson	Board Member	2005
Terry Fox	Board Member	2006
Brian Mosher	Board Member	2007
Alvin Flyr	Board Member	2007
Steve Murphy	Board Member	2007

School Officials

Ed Ackerman	Superintendent	2005
Deb Hodgson	District Secretary	2005
Kelly Wilson	District Treasurer	2005
Nyemaster, Goode, McLaughlin, Emery & O'Brien	Attorney	2005

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colfax-Mingo Community School District, Colfax, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2005 on our consideration of 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 40 are not required parts of the basic financial statements, but are supplementary

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nolte Cornman & Johnson PC*

NOLTE, CORNMAN & JOHNSON, P.C.

November 10, 2005

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

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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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,542,734 in fiscal 2004 to \$6,662,965 in fiscal 2005, while General Fund expenditures increased from \$6,177,213 in fiscal 2004 to \$6,661,888 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$931,763 in fiscal 2004 to a balance of \$930,594 in fiscal 2005, a .13% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources in fiscal 2005. The increase in expenditures was due primarily to an increase in the instruction and support services functional area.

### **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 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 custodial for the benefit of those outside of District government.

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.

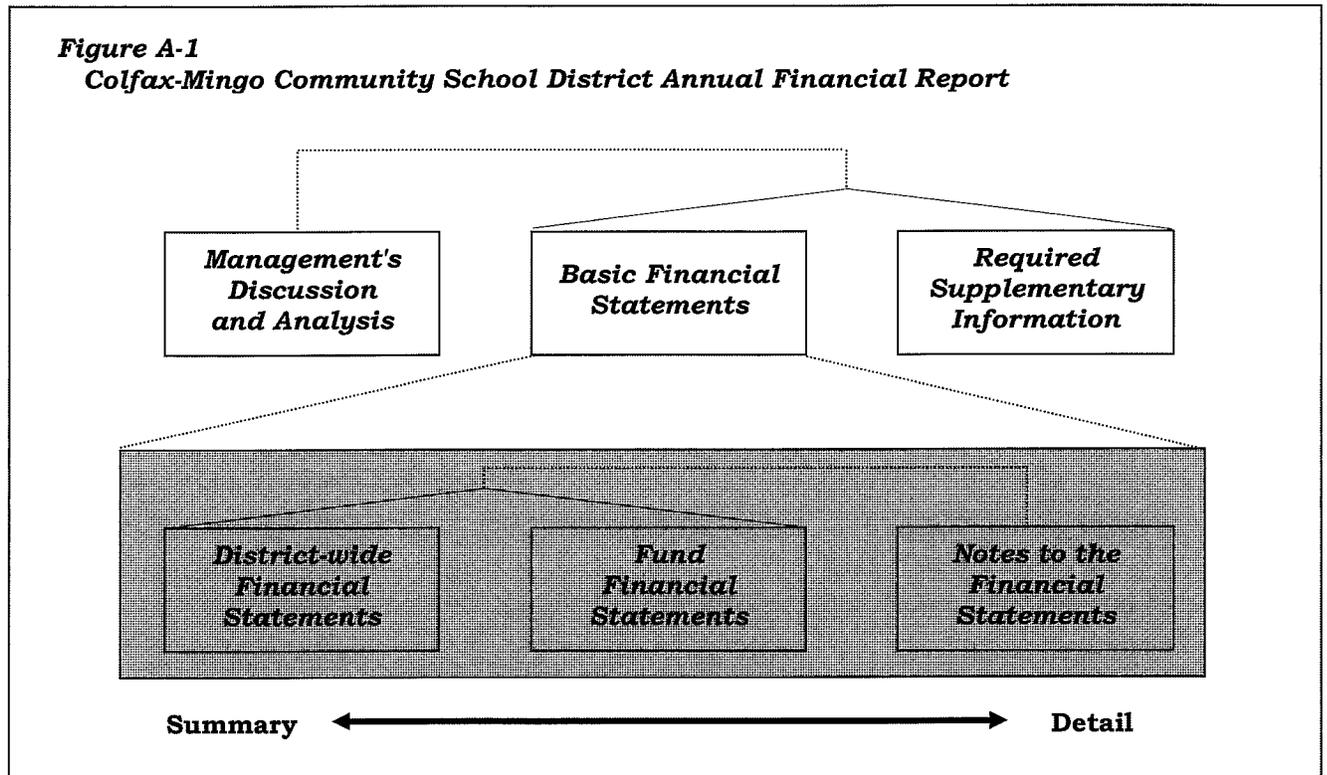


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

The two government-wide 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 and the Debt Service 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.

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

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

The District is responsible for ensuring 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 the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 10,743,726	6,101,604	8,491	5,671	10,752,217	6,107,275	76.06%
Capital assets	3,680,409	3,832,551	40,609	67,155	3,721,018	3,899,706	-4.58%
Total assets	14,424,135	9,934,155	49,100	72,826	14,473,235	10,006,981	44.63%
Long-term liabilities	7,412,204	2,862,413	0	0	7,412,204	2,862,413	158.95%
Other liabilities	4,933,453	4,447,743	59,428	56,938	4,992,881	4,504,681	10.84%
Total liabilities	12,345,657	7,310,156	59,428	56,938	12,405,085	7,367,094	68.39%
Net assets:							
Invested in capital assets, net of related debt	902,572	1,224,696	40,609	67,155	943,181	1,291,851	-26.99%
Restricted	126,825	368,736	0	0	126,825	368,736	-65.61%
Unrestricted	1,049,081	1,030,567	(50,937)	(51,267)	998,144	979,300	1.92%
Total net assets	\$ 2,078,478	2,623,999	(10,328)	15,888	2,068,150	2,639,887	-21.66%

The District's combined net assets decreased by 21.66%, or \$571.737, under the prior year. The largest portion of the District's net assets is the unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$18,844, or 1.92%.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$241,911, or 65.61% over the prior year.

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

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 450,500	255,269	159,455	149,137	609,955	404,406	50.83%
Operating grants and contributions and restricted interest	675,727	697,358	125,962	105,247	801,689	802,605	-0.11%
General revenues:							
Property tax	2,497,162	2,635,002	0	0	2,497,162	2,635,002	-5.23%
Local option sales and services tax	374,883	211,956	0	0	374,883	211,956	76.87%
Unrestricted state grants	3,483,588	3,461,080	0	0	3,483,588	3,461,080	0.65%
Other	81,149	11,718	36	18	81,185	11,736	591.76%
Total revenues	7,563,009	7,272,383	285,453	254,402	7,848,462	7,526,785	4.27%
Program expenses:							
Governmental activities:							
Instructional	4,674,796	4,424,877	0	0	4,674,796	4,424,877	5.65%
Support services	1,992,098	1,643,875	0	0	1,992,098	1,643,875	21.18%
Non-instructional programs	0	0	311,669	305,380	311,669	305,380	2.06%
Other expenses	1,441,636	471,719	0	0	1,441,636	471,719	205.61%
Total expenses	8,108,530	6,540,471	311,669	305,380	8,420,199	6,845,851	23.00%
Changes in net assets	(545,521)	731,912	(26,216)	(50,978)	(571,737)	680,934	-183.96%
Beginning net assets	2,623,999	1,892,087	15,888	66,866	2,639,887	1,958,953	34.76%
Ending net assets	\$ 2,078,478	2,623,999	(10,328)	15,888	2,068,150	2,639,887	-21.66%

Property tax and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 79% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in property tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature.

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

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs.

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## Governmental Activities

Revenues for governmental activities were \$7,563,009 and expenses were \$8,108,530. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,674,796	3,798,228
Support services	1,992,098	1,990,818
Other expenses	1,441,636	1,193,257
Totals	<u>\$ 8,108,530</u>	<u>6,982,303</u>

- The cost financed by users of the District's programs was \$450,500.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$675,727.
- The net cost of governmental activities was financed with \$2,497,162 in property tax, \$374,883 in local option sales and services tax, \$3,483,588 in state foundation aid and \$104,278 in interest income.

## Business-Type Activities

Revenues of the District's business-type activities were \$285,453 and expenses were \$311,669. 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 Colfax-Mingo 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 \$5,732,710, above last year's ending fund balances of \$1,405,733. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to the issuance of general obligation bonds.

## Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors:
  - The increase in revenues was more than offset by the increase in expenditures during fiscal year 2005, causing the General Fund balance to decrease.
- The Capital Projects fund balance increased in fiscal 2005 due to the two issuances of general obligation bonds.

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## Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$15,888 at June 30, 2004 to a deficit \$10,328 at June 30, 2005, representing a decrease of 165%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$484,787 more than budgeted revenues, a variance of 6.66%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements 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 disbursements for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional functional areas.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$3,721,018, 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) This amount represents a net decrease of 4.8% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$223,776.

The original cost of the District's capital assets was \$6,659,235. Governmental funds account for \$6,525,176 with the remainder of \$134,059 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$169,853 at June 30, 2005, compared to \$264,894 reported at June 30, 2004.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 123,219	123,219	0	0	123,219	123,219	0.00%
Buildings	3,313,370	3,410,271	0	0	3,313,370	3,410,271	-2.92%
Land improvements	114,576	101,322	0	0	114,576	101,322	11.57%
Machinery and equipment	129,244	197,739	40,609	67,155	169,853	264,894	-55.95%
Total	\$ 3,680,409	3,832,551	40,609	67,155	3,721,018	3,899,706	-4.80%

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## Long-Term Debt

At year-end, the District had \$7,412,204 in general obligation and other long-term debt outstanding. This represents an increase of 158.9% from last years balance of \$2,862,413. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 7,270,000	2,640,000	175.4%
Energy loan	51,600	64,750	-20.3%
Mower lease	6,829	0	100.0%
Computer lease	14,347	0	100.0%
Compensated absences	0	77,580	-100.0%
Early Retirement	69,428	80,083	-13.3%
Totals	<u>\$ 7,412,204</u>	<u>2,862,413</u>	<u>158.9%</u>

The District had \$7,270,000 in general obligation bonds outstanding at June 30, 2005. During the year ended June 30, 2005, the District issued \$4,800,000 in general obligation bonds.

The District had \$51,600 in energy loan note outstanding at June 30, 2005.

The District had outstanding mower lease payable of \$6,829 at June 30, 2005.

The District had outstanding computer lease payable of \$14,347 at June 30, 2005.

The District had early retirement payable of \$69,428 at June 30, 2005.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District saw little or no increase in property tax valuations.
- The District had little or no increase in enrollment activity.
- The District saw little or no economic growth in the county.
- The increasing costs of health insurance is continuing to be a concern for the District.

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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb 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, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 1,514,799	0	1,514,799
Other	6,340,802	0	6,340,802
Receivables:			
Property tax:			
Delinquent	43,796	0	43,796
Succeeding year	2,255,804	0	2,255,804
Income surtax	265,255	0	265,255
Interfund	54,361	695	55,056
Accounts	97,837	0	97,837
Accrued interest - ISCAP(Note 5)	9,711	0	9,711
Due from other governments	161,361	0	161,361
Inventories	0	7,796	7,796
Capital assets, net of accumulated depreciation(Note 6)	3,680,409	40,609	3,721,018
<b>TOTAL ASSETS</b>	<b>14,424,135</b>	<b>49,100</b>	<b>14,473,235</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	0	176	176
Interfund payable	695	54,361	55,056
Accounts payable	458,866	3,701	462,567
Salaries and benefits payable	495,931	0	495,931
ISEBA assessment payable(Note 9)	60,713	0	60,713
ISCAP warrants payable(Note 5)	1,509,000	0	1,509,000
ISCAP accrued interest payable(Note 5)	10,454	0	10,454
ISCAP unamortized premium	15,011	0	15,011
Accrued interest payable	126,979	0	126,979
Deferred revenue:			
Succeeding year property tax	2,255,804	0	2,255,804
Other	0	1,190	1,190
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds payable	210,000	0	210,000
Energy loan	13,738	0	13,738
Mower lease	2,137	0	2,137
Computer lease	6,990	0	6,990
Early retirement payable	13,481	0	13,481
Portion due after one year:			
General obligation bonds payable	7,060,000	0	7,060,000
Energy loan	37,862	0	37,862
Mower lease	4,692	0	4,692
Computer lease	7,357	0	7,357
Early retirement payable	55,947	0	55,947
<b>TOTAL LIABILITIES</b>	<b>12,345,657</b>	<b>59,428</b>	<b>12,405,085</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	902,572	40,609	943,181
Restricted for:			
Physical plant and equipment levy	57,659	0	57,659
Other special revenue purposes	69,166	0	69,166
Unrestricted	1,049,081	(50,937)	998,144
<b>TOTAL NET ASSETS</b>	<b>\$ 2,078,478</b>	<b>(10,328)</b>	<b>2,068,150</b>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,884,622	440,033	426,068
Special instruction	1,062,450	10,467	0
Other instruction	727,724	0	0
	<u>4,674,796</u>	<u>450,500</u>	<u>426,068</u>
Support services:			
Student services	98,931	0	0
Instructional staff services	108,053	0	0
Administration services	846,460	0	0
Operation and maintenance of plant services	541,690	0	0
Transportation services	396,964	0	1,280
	<u>1,992,098</u>	<u>0</u>	<u>1,280</u>
Other expenditures:			
Facilities and acquisitions	856,442	0	0
Long-term debt interest	205,736	0	0
AEA flowthrough	248,379	0	248,379
Depreciation (unallocated)*	131,079	0	0
	<u>1,441,636</u>	<u>0</u>	<u>248,379</u>
Total governmental activities	8,108,530	450,500	675,727
Business-Type activities:			
Non-instructional programs:			
Nutrition services	311,669	159,455	125,962
Total business-type activities	<u>311,669</u>	<u>159,455</u>	<u>125,962</u>
Total	<u>\$ 8,420,199</u>	<u>609,955</u>	<u>801,689</u>

**General Revenues:**

Local tax for:  
  General purposes  
  Debt Service  
  Capital outlay  
  Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings  
Premium on bonds  
Cost of issuance

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(2,018,521)	0	(2,018,521)
(1,051,983)	0	(1,051,983)
(727,724)	0	(727,724)
<u>(3,798,228)</u>	<u>0</u>	<u>(3,798,228)</u>
(98,931)	0	(98,931)
(108,053)	0	(108,053)
(846,460)	0	(846,460)
(541,690)	0	(541,690)
(395,684)	0	(395,684)
<u>(1,990,818)</u>	<u>0</u>	<u>(1,990,818)</u>
(856,442)	0	(856,442)
(205,736)	0	(205,736)
0	0	0
(131,079)	0	(131,079)
<u>(1,193,257)</u>	<u>0</u>	<u>(1,193,257)</u>
(6,982,303)	0	(6,982,303)
0	(26,252)	(26,252)
<u>0</u>	<u>(26,252)</u>	<u>(26,252)</u>
<u>(6,982,303)</u>	<u>(26,252)</u>	<u>(7,008,555)</u>
\$ 2,202,106	0	2,202,106
251,881	0	251,881
43,175	0	43,175
374,883	0	374,883
3,483,588	0	3,483,588
104,278	36	104,314
68,256	0	68,256
(91,385)	0	(91,385)
<u>6,436,782</u>	<u>36</u>	<u>6,436,818</u>
(545,521)	(26,216)	(571,737)
<u>2,623,999</u>	<u>15,888</u>	<u>2,639,887</u>
<u>\$ 2,078,478</u>	<u>(10,328)</u>	<u>2,068,150</u>

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments				
ISCAP (Note 5)	\$ 1,514,799	0	0	1,514,799
Other	1,249,489	4,883,129	208,184	6,340,802
Receivables:				
Property tax:				
Delinquent	36,851	0	6,945	43,796
Succeeding year	1,572,781	0	683,023	2,255,804
Income surtax	265,255	0	0	265,255
Interfund	68,410	0	39,464	107,874
Accounts	97,837	0	0	97,837
Accrued interest - ISCAP (Note 5)	9,711	0	0	9,711
Due from other governments	90,757	70,604	0	161,361
<b>TOTAL ASSETS</b>	<b>\$ 4,905,890</b>	<b>4,953,733</b>	<b>937,616</b>	<b>10,797,239</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 16,593	6,599	31,016	54,208
Accounts payable	90,271	367,395	1,200	458,866
Salaries and benefits payable	495,931	0	0	495,931
ISCAP warrants payable (Note 5)	1,509,000	0	0	1,509,000
ISCAP accrued interest payable (Note 5)	10,454	0	0	10,454
ISCAP unamortized premium	15,011	0	0	15,011
Deferred revenue:				
Succeeding year property tax	1,572,781	0	683,023	2,255,804
Income surtax	265,255	0	0	265,255
<b>Total liabilities</b>	<b>3,975,296</b>	<b>373,994</b>	<b>715,239</b>	<b>5,064,529</b>
Fund balances:				
Reserved for:				
Debt service	0	0	39,403	39,403
Unreserved:				
General	930,594	0	0	930,594
Management	0	0	49,320	49,320
Capital Projects	0	4,579,739	0	4,579,739
Physical plant and equipment levy	0	0	64,488	64,488
Other special revenue purposes	0	0	69,166	69,166
<b>Total fund balances</b>	<b>930,594</b>	<b>4,579,739</b>	<b>222,377</b>	<b>5,732,710</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,905,890</b>	<b>4,953,733</b>	<b>937,616</b>	<b>10,797,239</b>

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, 2005

<b>Total fund balances of governmental funds (page 17)</b>	\$	5,732,710
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		3,680,409
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		265,255
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.		(126,979)
ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlement and, therefore, are not reported as liabilities in the governmental funds.		(60,713)
Long-term liabilities, including general obligation bonds, energy loan, early retirement, mower lease and computer lease are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(7,412,204)</u>
<b>Net assets of governmental activites (page 14)</b>	<b>\$</b>	<b><u>2,078,478</u></b>

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, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,131,695	374,883	355,095	2,861,673
Tuition	163,230	0	0	163,230
Other	209,992	45,121	136,435	391,548
State sources	3,986,270	0	1,267	3,987,537
Federal sources	171,778	0	0	171,778
Total revenues	<u>6,662,965</u>	<u>420,004</u>	<u>492,797</u>	<u>7,575,766</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	2,862,830	0	13,612	2,876,442
Special instruction	1,060,881	0	0	1,060,881
Other instruction	598,808	0	128,585	727,393
	<u>4,522,519</u>	<u>0</u>	<u>142,197</u>	<u>4,664,716</u>
Support services:				
Student services	98,931	0	0	98,931
Instructional staff services	108,053	0	0	108,053
Administration services	786,606	0	64,038	850,644
Operation and maintenance of plant services	529,501	0	14,822	544,323
Transportation services	367,899	0	0	367,899
	<u>1,890,990</u>	<u>0</u>	<u>78,860</u>	<u>1,969,850</u>
Other expenditures:				
Facilities acquisitions	0	844,992	50,237	895,229
Long-term debt:				
Principal	0	0	183,150	183,150
Interest and fiscal charges	0	0	85,512	85,512
AEA flowthrough	248,379	0	0	248,379
	<u>248,379</u>	<u>844,992</u>	<u>318,899</u>	<u>1,412,270</u>
Total expenditures	<u>6,661,888</u>	<u>844,992</u>	<u>539,956</u>	<u>8,046,836</u>
Excess (deficiency) of revenues over (under) expenditures	1,077	(424,988)	(47,159)	(471,070)
<b>Other financing sources (uses):</b>				
Operating transfers in	0	0	16,593	16,593
Operating transfers out	(16,593)	0	0	(16,593)
Sale of bonds	0	4,800,000	0	4,800,000
Premium on bonds	0	68,256	0	68,256
Cost of issuance	0	(91,385)	0	(91,385)
Proceeds from loan	14,347	0	6,829	21,176
Total other financing sources (uses)	<u>(2,246)</u>	<u>4,776,871</u>	<u>23,422</u>	<u>4,798,047</u>
Net change in fund balances	(1,169)	4,351,883	(23,737)	4,326,977
Fund balance beginning of year	931,763	227,856	246,114	1,405,733
Fund balance end of year	<u>\$ 930,594</u>	<u>4,579,739</u>	<u>222,377</u>	<u>5,732,710</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, 2005

Net change in fund balances - total governmental funds(page 19) \$ 4,326,977

*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	\$ 41,586	
Depreciation expense	(193,728)	(152,142)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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 issues exceeded repayments, as follows:

Issued	(4,821,176)	
Repaid	183,150	(4,638,026)

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.

(120,224)

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

10,372

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.

Compensated absences	77,580	
Early retirement	10,655	
ISEBA assessment	(60,713)	27,522

Changes in net assets of governmental activities(page 16) \$ (545,521)

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2005

	School Nutrition
<b>ASSETS</b>	
Interfund receivables	\$ 695
Inventories	7,796
Capital assets, net of accumulated depreciation (Note 6)	40,609
<b>TOTAL ASSETS</b>	<b>49,100</b>
<b>LIABILITIES</b>	
Excess of warrants issued over bank balance	176
Interfund payable	54,361
Accounts payable	3,701
Deferred revenue:	
Other	1,190
<b>TOTAL LIABILITIES</b>	<b>59,428</b>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	40,609
Unrestricted	(50,937)
<b>TOTAL NET ASSETS</b>	<b>\$ (10,328)</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 159,455
TOTAL OPERATING REVENUES	159,455
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	103,583
Benefits	34,077
Services	4,527
Supplies	139,434
Depreciation	30,048
TOTAL OPERATING EXPENSES	311,669
OPERATING LOSS	(152,214)
NON-OPERATING REVENUES:	
State sources	3,658
Federal sources	122,304
Interest on investments	36
TOTAL NON-OPERATING REVENUES	125,998
Change in net assets	(26,216)
Net assets beginning of year	15,888
Net assets end of year	\$ (10,328)

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 158,137
Cash payments to employees for services	(137,698)
Cash payments to suppliers for goods or services	(123,390)
Net cash used in operating activities	(102,951)
Cash flows from non-capital financing activities:	
State grants received	3,658
Federal grants received	103,309
Net cash provided by non-capital financing activities	106,967
Cash flows from capital and related financing activities:	
Purchase of capital assets	(3,503)
Net cash used in capital and related financing activities	(3,503)
Cash flows from investing activities:	
Lending to Activity Fund	(695)
Interest on investments	36
Borrowings from General Fund	2,435
Net cash provided by investing activities	1,776
Net increase in cash and cash equivalents	2,289
Cash and cash equivalents at beginning of year	(2,465)
Cash and cash equivalents at end of year	\$ (176)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (152,214)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,995
Depreciation	30,048
Increase in inventories	(2,125)
Increase in accounts payable	3,701
Decrease in salaries and benefits payable	(38)
Decrease in deferred revenue	(1,318)
Net cash used in operating activities	\$ (102,951)

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:

Current assets:	
Cash and pooled investments	\$ (176)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$18,995.

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2005

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 2,288
Total assets	<u>\$ 2,288</u>
Liabilities	
Due to other groups	\$ 2,288
Total liabilities	<u>\$ 2,288</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses

from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

Capital Assets - Capital assets, which include property, furniture, 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 machinery 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.

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, 2005, disbursements in the support services and non-instructional programs functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education 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.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	<u>\$ 3,556,389</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

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

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nutrition	Student Activity	\$ 695
General	Nutrition	54,361
Debt Service	General	16,593
General	Management	3,700
General	Student Activity	1,429
General	PPEL	7,900
Debt Service	PPEL	735
PPEL	Debt Service	16,557
Debt Service	Capital Projects	5,579
General	Capital Projects	1,020
Total		<u>\$ 108,569</u>

**(4) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	<u>\$ 16,593</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**

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. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final		Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
		Warrant Maturity	Warrant Maturity				
2004-05A	6/30/04	6/30/05		\$ 195	0	0	0
2004-05B	1/28/05	1/27/06		704,029	9,538	702,000	10,299
2005-06A	6/30/05	6/30/06		810,575	173	807,000	155
Total				<u>\$ 1,514,799</u>	<u>9,711</u>	<u>1,509,000</u>	<u>10,454</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 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no advance activity during the year ended June 30, 2005.

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
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

**(6) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 123,219	0	0	123,219
Total capital assets not being depreciated	123,219	0	0	123,219
<b>Capital assets being depreciated:</b>				
Buildings	5,173,219	5,235	0	5,178,454
Land improvements	295,689	33,552	0	329,241
Machinery and equipment	891,463	3,636	837	894,262
Total capital assets being depreciated	6,360,371	42,423	837	6,401,957
<b>Less accumulated depreciation for:</b>				
Buildings	1,762,948	102,136	0	1,865,084
Land improvements	194,367	20,298	0	214,665
Machinery and equipment	693,724	72,131	837	765,018
Total accumulated depreciation	2,651,039	194,565	837	2,844,767
Total capital assets being depreciated, net	3,709,332	(152,142)	0	3,557,190
Governmental activities capital assets, net	\$ 3,832,551	(152,142)	0	3,680,409

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 130,556	3,503	0	134,059
Less accumulated depreciation	63,402	30,048	0	93,450
Business-type activities capital assets, net	\$ 67,154	(26,545)	0	40,609

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instructor:		
Regular		\$ 25,047
Special		1,569
Other		331
Support services:		
Administration		6,471
Operation and maintenance of plant		30
Transportation		29,201
		<u>62,649</u>
Unallocated depreciation		<u>131,079</u>
Total governmental activities depreciation expense		<u>\$ 193,728</u>
Business-type activities:		
Food service operations		\$ 30,048
Total business-type activities depreciation expense		<u>\$ 30,048</u>

#### (7) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,640,000	4,800,000	170,000	7,270,000	210,000
Energy loan	64,750	0	13,150	51,600	13,738
Mower lease	0	6,829	0	6,829	2,137
Computer lease	0	14,347	0	14,347	6,990
Compensated absences	77,580	0	77,580	0	0
Early Retirement	80,083	1,703	12,358	69,428	13,481
Total	\$ 2,862,413	4,822,879	273,088	7,412,204	246,346

#### General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness, which are paid from Debt Service monies are as follows:

Year	Bond Issue of June 1, 2003			Bond Issue of November 1, 2004		
	Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal
2006	2.250%	175,000	77,739	3.000%	35,000	253,860
2007	2.250%	180,000	73,801	3.000%	80,000	167,590
2008	2.500%	190,000	69,751	3.00-3.10%	75,000	165,265
2009	2.750%	190,000	65,001	3.10-3.30%	85,000	162,880
2010	3.000%	195,000	59,776	3.300%	85,000	160,115
2011	3.125%	205,000	53,926	3.30-3.45%	85,000	157,310
2012	3.300%	205,000	47,520	3.45-3.60%	95,000	154,321
2013	3.400%	210,000	40,755	3.60-3.85%	100,000	150,845
2014	3.500%	220,000	33,615	3.85-3.90%	100,000	147,057
2015	3.600%	225,000	25,915	3.90-4.00%	110,000	143,072
2016	3.700%	235,000	17,815	4.00-4.05%	110,000	138,700
2017	3.800%	240,000	9,120	4.05-4.05%	120,000	134,158
2018	-	-	-	4.05-4.125%	375,000	126,665
2019	-	-	-	4.125-4.20%	390,000	111,164
2020	-	-	-	4.20-4.30%	410,000	94,647
2021	-	-	-	4.30-4.40%	425,000	77,012
2022	-	-	-	4.40-4.50%	445,000	58,198
2023	-	-	-	4.50-4.55%	465,000	38,057
2024	-	-	-	4.55-4.60%	485,000	16,730
Total		\$ 2,470,000	574,734		\$ 4,075,000	2,457,646

Year	Bond Issue of May 1, 2005			Total		
	Ending June 30,	Interest Rates	Principal	Interest	Principal	Interest
2006	5.750%	-	36,545	210,000	368,144	578,144
2007	5.750%	-	39,867	260,000	281,258	541,258
2008	5.750%	10,000	39,867	275,000	274,883	549,883
2009	5.750%	10,000	39,293	285,000	267,174	552,174
2010	5.750%	10,000	38,717	290,000	258,608	548,608
2011	5.750%	10,000	38,143	300,000	249,379	549,379
2012	5.750%	10,000	37,567	310,000	239,408	549,408
2013	5.750%	10,000	36,993	320,000	228,593	548,593
2014	5.750%	10,000	36,417	330,000	217,089	547,089
2015	5.750%	10,000	35,842	345,000	204,829	549,829
2016	5.750%	10,000	35,269	355,000	191,784	546,784
2017	5.750%	10,000	34,692	370,000	177,970	547,970
2018	5.750%	15,000	34,117	390,000	160,782	550,782
2019	5.750%	15,000	33,255	405,000	144,419	549,419
2020	5.750%	15,000	32,393	425,000	127,040	552,040
2021	5.750%	15,000	31,530	440,000	108,542	548,542
2022	5.750%	15,000	30,668	460,000	88,866	548,866
2023	5.750%	15,000	29,805	480,000	67,862	547,862
2024	5.750%	15,000	28,943	500,000	45,673	545,673
2025	5.400%	520,000	28,080	520,000	28,080	548,080
Total		\$ 725,000	698,003	\$ 7,270,000	\$ 3,730,383	11,000,383

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		Issue of September 4, 1996			
Ending June 30,	Interest Rates	Principal	Interest	Total	
2006	5.900	\$ 13,738	\$ 2,856	16,594	
2007	5.900	14,560	2,033	16,593	
2008	5.900	15,432	1,162	16,594	
2009	5.900	7,870	238	8,108	
Total		\$ 51,600	6,289	57,889	

Mower Lease

During the year ended June 30, 2005, the District entered into a mower lease. Details of the District's lease payments are as follows:

Year				
Ending June 30,	Principal	Interest	Total	
2006	\$ 2,137	\$ 419	2,556	
2007	2,276	279	2,555	
2008	2,416	140	2,556	
Total	\$ 6,829	838	7,667	

Computer Lease

During the year ended June 30, 2005, the District entered into a lease for computers. Details of the District's lease payments are as follows:

Year				
Ending June 30,	Principal	Interest	Total	
2006	\$ 6,990	\$ 753	7,743	
2007	7,357	386	7,743	
Total	\$ 14,347	1,139	15,486	

**(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 covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$213,164, \$205,028, and \$199,957 respectively, equal to the required contributions for each year.

**(9) Risk Management**

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

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004, originally due July 1, 2005. The total assessment for terminated members was approximately \$3.9 million. The District's share of this assessment was \$121,426.

Members filed a lawsuit contesting the amount and legality of the assessments. A subsequent settlement agreement reduced the assessments by 50% and the due date was amended to December 1, 2005. Accordingly, the District has recorded a liability for its share of the assessment of \$60,713 as of June 30, 2005.

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.

**(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 \$248,379 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, disbursements in the support services and non-instructional functional program areas exceeded the amounts budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 3,561,200	158,174
Intermediate sources	0	0
State sources	3,737,856	3,658
Federal sources	202,035	122,304
Total revenues	<u>7,501,091</u>	<u>284,136</u>
Disbursements:		
Instruction	4,549,827	0
Support services	2,012,732	0
Non-instructional programs	0	283,586
Other expenditures	1,024,508	0
Total expenditures	<u>7,587,067</u>	<u>283,586</u>
Excess(Deficiency) of receipts over(under) disbursements	(85,976)	550
Other financing sources, net	<u>4,826,397</u>	0
Excess(Deficiency) of receipts over(under) disbursements	4,740,421	550
Balance beginning of year	<u>1,654,047</u>	(54,392)
Balance end of year	<u>\$ 6,394,468</u>	<u>(53,842)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
3,719,374	3,002,297	3,002,297	717,077
0	2,000	2,000	(2,000)
3,741,514	4,061,143	4,061,143	(319,629)
324,339	235,000	235,000	89,339
<u>7,785,227</u>	<u>7,300,440</u>	<u>7,300,440</u>	<u>484,787</u>
4,549,827	4,600,759	4,600,759	50,932
2,012,732	1,922,663	1,922,663	(90,069)
283,586	260,000	260,000	(23,586)
1,024,508	538,648	1,150,000	125,492
<u>7,870,653</u>	<u>7,322,070</u>	<u>7,933,422</u>	<u>62,769</u>
(85,426)	(21,630)	(632,982)	547,556
<u>4,826,397</u>	<u>0</u>	<u>0</u>	<u>4,826,397</u>
4,740,971	(21,630)	(632,982)	5,373,953
1,599,655	1,306,454	1,306,454	293,201
<u>6,340,626</u>	<u>1,284,824</u>	<u>673,472</u>	<u>5,667,154</u>

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,501,091	74,675	7,575,766
Expenditures	7,587,067	459,769	8,046,836
Net	(85,976)	(385,094)	(471,070)
Other financing sources, net	4,826,397	(28,350)	4,798,047
Beginning fund balances	1,654,047	(248,314)	1,405,733
Ending fund balances	\$ 6,394,468	(661,758)	5,732,710

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 284,136	1,317	285,453
Expenses	283,586	28,083	311,669
Net	550	(26,766)	(26,216)
Capital contributions	0	0	0
Beginning fund balances	(54,392)	70,280	15,888
Ending fund balances	\$ (53,842)	43,514	(10,328)

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

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

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

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

During the year ended June 30, 2005, disbursements in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	
<b>ASSETS</b>							
Cash and pooled investments	\$ 51,817	56,498	55,706	15,992	180,013	28,171	208,184
Receivables:							
Property tax:							
Current year delinquent	1,203	0	860	0	2,063	4,882	6,945
Succeeding year	80,000	0	45,433	0	125,433	557,590	683,023
Interfund receivables	0	0	16,557	0	16,557	22,907	39,464
<b>TOTAL ASSETS</b>	<b>\$ 133,020</b>	<b>56,498</b>	<b>118,556</b>	<b>15,992</b>	<b>324,066</b>	<b>613,550</b>	<b>937,616</b>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 0	1,200	0	0	1,200	0	1,200
Interfund payable	3,700	2,124	8,635	0	14,459	16,557	31,016
Deferred revenue:							
Succeeding year property tax	80,000	0	45,433	0	125,433	557,590	683,023
	83,700	3,324	54,068	0	141,092	574,147	715,239
<b>Fund equity:</b>							
<b>Fund balances:</b>							
Reserved for:							
For Debt Service	0	0	0	0	0	39,403	39,403
Unreserved:							
Undesignated	49,320	53,174	64,488	15,992	182,974	0	182,974
Total fund balances	49,320	53,174	64,488	15,992	182,974	39,403	222,377
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 133,020</b>	<b>56,498</b>	<b>118,556</b>	<b>15,992</b>	<b>324,066</b>	<b>613,550</b>	<b>937,616</b>

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, 2005

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	
REVENUES:							
Local sources:							
Local tax	\$ 60,039	0	43,175	0	103,214	251,881	355,095
Other	339	133,714	380	1,337	135,770	665	136,435
State sources	46	0	1,195	0	1,241	26	1,267
TOTAL REVENUES	60,424	133,714	44,750	1,337	240,225	252,572	492,797
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	13,612	0	0	0	13,612	0	13,612
Other instruction	0	128,485	0	100	128,585	0	128,585
Support services:							
Administration services	64,038	0	0	0	64,038	0	64,038
Operation and maintenance of plant services	0	0	14,822	0	14,822	0	14,822
Other expenditures:							
Facilities and acquisitions	0	0	50,237	0	50,237	0	50,237
Long-term debt:							
Principal	0	0	0	0	0	183,150	183,150
Interest and fiscal charges	0	0	0	0	0	85,512	85,512
TOTAL EXPENDITURES	77,650	128,485	65,059	100	271,294	268,662	539,956
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(17,226)	5,229	(20,309)	1,237	(31,069)	(16,090)	(47,159)
OTHER FINANCING SOURCES:							
Proceeds from loan	0	0	6,829	0	6,829	0	6,829
Operating transfers in	0	0	0	0	0	16,593	16,593
TOTAL OTHER FINANCING SOURCES	0	0	6,829	0	6,829	16,593	23,422
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(17,226)	5,229	(13,480)	1,237	(24,240)	503	(23,737)
FUND BALANCE BEGINNING OF YEAR	66,546	47,945	77,968	14,755	207,214	38,900	246,114
FUND BALANCE END OF YEAR	\$ 49,320	53,174	64,488	15,992	182,974	39,403	222,377

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, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activity	\$ 11	6,748	2,665	4,094
Fair	0	2,521	0	2,521
Elementary	11,887	0	6,897	4,990
Zoo Trip	25	0	0	25
Chorus	0	1,907	768	1,139
Band	404	717	557	564
Interest	754	141	1	894
Cheerleaders	1,371	3,083	1,570	2,884
Student Council	1,021	0	5,307	(4,286)
Middle	2,536	27,489	21,646	8,379
MS Tag	693	0	92	601
Drama/Speech	343	163	463	43
Athletics	(14,069)	5,263	5,128	(13,934)
Cross Country	(1,183)	741	1,025	(1,467)
Boys Basketball	12,590	2,259	2,099	12,750
Football	7,662	10,909	8,048	10,523
Baseball	(8,061)	13,800	11,720	(5,981)
Boys Track	(4,127)	0	950	(5,077)
Boys Golf	(1,317)	861	766	(1,222)
Wrestling	2,424	5,050	6,173	1,301
Girls Basketball	4,507	6,278	3,102	7,683
Volleyball	3,249	1,425	3,098	1,576
Softball	6,084	4,801	7,393	3,492
Girls Track	(414)	20	824	(1,218)
Girls Golf	(1,328)	133	361	(1,556)
Interest	1,191	1,350	0	2,541
Cheerleaders	381	4,240	5,261	(640)
Student Council	11,159	5,494	2,492	14,161
Annual	3,126	3,897	5,994	1,029
Art Club	724	260	878	106
Class of 2004	(1,149)	0	587	(1,736)
Class of 2005	2,096	805	2,559	342
Class of 2006	534	4,902	2,983	2,453
Class of 2007	638	605	25	1,218
Activity Account	0	163	80	83
FFA	2,178	8,166	8,370	1,974
Icons Club	137	0	0	137
Sound Club	751	632	221	1,162
Spanish Club	2,118	4,097	4,101	2,114
Tigerhawk Club	377	0	0	377
Wrestling Pep Club	(172)	2,326	2,549	(395)
ISEC	761	25	227	559
Drill Team	(771)	2,443	1,505	167
Golf Legal	226	0	0	226
HS Pop Funds	(1,422)	0	0	(1,422)
<b>Total</b>	<b>\$ 47,945</b>	<b>133,714</b>	<b>128,485</b>	<b>53,174</b>

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, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 1,657	6,458	5,827	2,288
Total assets	<u>\$ 1,657</u>	<u>6,458</u>	<u>5,827</u>	<u>2,288</u>
<b>Liabilities</b>				
Due to other groups	\$ 1,657	6,458	5,827	2,288
Total liabilities	<u>\$ 1,657</u>	<u>6,458</u>	<u>5,827</u>	<u>2,288</u>

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,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,861,673	2,846,958	2,616,820	2,495,011
Tuition	163,230	74,551	80,432	107,635
Other	391,548	191,329	257,785	178,389
Intermediate sources	0	0	7,676	12,049
State sources	3,987,537	3,975,253	4,011,553	3,804,260
Federal sources	171,778	183,185	138,086	156,530
Total	<u>\$ 7,575,766</u>	<u>7,271,276</u>	<u>7,112,352</u>	<u>6,753,874</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,876,442	2,842,724	2,746,916	2,764,553
Special instruction	1,060,881	996,430	1,003,359	1,041,337
Other instruction	727,393	569,299	566,983	548,830
Support services:				
Student services	98,931	126,527	99,139	104,880
Instructional staff services	108,053	105,617	95,591	110,822
Administration services	850,644	724,529	647,792	636,989
Operation and maintenance of plant services	544,323	463,843	571,933	544,647
Transportation services	367,899	303,858	292,408	224,728
Central services	0	5,245	13,394	82,525
Other expenditures:				
Facilities acquisitions	895,229	0	4,042	25,152
Long-term debt:				
Principal	183,150	162,230	130,000	135,887
Interest	85,512	103,609	202,810	171,597
AEA flow-through	248,379	253,884	267,777	264,621
Total	<u>\$ 8,046,836</u>	<u>6,657,795</u>	<u>6,642,144</u>	<u>6,656,568</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Colfax-Mingo Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 10, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

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

Compliance and Other Matters

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

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 10, 2005

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

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

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

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

Conclusion - Response accepted.

I-B-05 Student Activity Fund - We noted during our audit that the Student Activity fund included interest accounts, old class accounts and accounts with deficit balances.

Recommendation - The interest accounts should be allocated out to various accounts. Old class accounts should be closed as the classes have graduated. Deficit accounts should be monitored to try and bring these accounts to a positive balance.

Response - We will allocate interest to accounts in negative balances, and we will reconcile individual accounts back to 1995 to determine correct balances forward.

Conclusion - Response accepted.

I-C-05 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - We will utilize new software to capacity in order to create timely reconciliations each month.

Conclusion - Response accepted.

I-D-05 Accounting Software - We noted during our audit that the District uses accounting software, however, it was noted that the software was not utilized to its potential.

Reconciliation - The District should use the accounting software it has, in order to reconcile funds throughout the year.

Response - We have continued learning and implementing new software to create timely financial reports.

Conclusion - Response accepted.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS  
 YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

- II-A-05 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
  
- II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, exceeded the amended certified budget amounts in the support services and 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 - Disbursements will be monitored for accurate posting and compared to budget so as not to exceed posted budget.  
  
Conclusion - Response accepted.
  
- II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
  
- II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
  
- II-E-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kelly Wilson, District Treasurer Spouse owns First Impression Printing	Purchased Services	\$254

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the district treasurer does not appear to represent a conflict of interest.

- II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
  
- II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
  
- II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
  
- II-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-05 Financial Condition - We noted during our audit that the School Nutrition Fund had a deficit net assets of \$10,328 at June 30, 2005.

Recommendation - The District should continue to monitor the School Nutrition Fund in order to bring the fund to a positive position.

Response - We will monitor revenues and expenditures to keep this fund in balance.

Conclusion - Response accepted.