

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	23
Statement of Changes in Fiduciary Net Assets	K	24
Notes to Financial Statements		25-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		41
Notes to Required Supplementary Information - Budgetary Reporting		42
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	44
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	45
Capital Projects Funds:		
Combining Balance Sheet	4	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	5	47
Fiduciary Fund - Private Purpose Trust Funds:		
Combining Balance Sheet	6	48
Combining Statement of Changes in Fiduciary Net Assets	7	49
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	8	50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	9	51
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 <u>Government Auditing Standards</u>		52-53
Schedule of Findings		54-60

Colfax-Mingo Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Bill Gannon	President	2006
Don Goodman	Vice President	2008
Terry Fox	Board Member	2006
Brian Mosher	Board Member	2007
Jeff Lietz	Board Member	2007
Tom Wilson	Board Member	2007
Diane Mindham	Board Member	2008
Board of Education (After September 2006 Election)		
Don Goodman	President	2008
Tom Wilson	Vice President	2007
Brian Mosher	Board Member	2007
Jeff Lietz	Board Member	2007
Diane Mindham	Board Member	2008
Bill Gannon	Board Member	2009
Evan Heggen	Board Member	2009
School Officials		
Ed Ackerman	Superintendent	2007
Deb Hodgson	District Secretary	2007
Kelly Wilson	District Treasurer	2007
Tom Foley	Attorney	2007

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(a professional corporation)
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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, 2007, 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, 2007, 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.

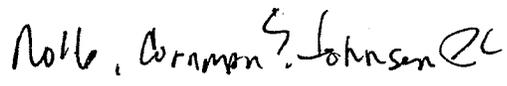
In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2008 on our consideration of Colfax-Mingo Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 41 through 42 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, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Colfax-Mingo Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,625,626 in fiscal 2006 to \$6,862,478 in fiscal 2007, while General Fund expenditures increased from \$6,862,378 in fiscal 2006 to \$6,966,928 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$693,842 in fiscal 2006 to a balance of \$589,392 in fiscal 2007, a 15.05% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state sources in fiscal 2007. The increase in expenditures was due primarily to an increase in the support services functions from costs of salaries and benefit increases, as well as increases in utilities and transportation costs.

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 the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

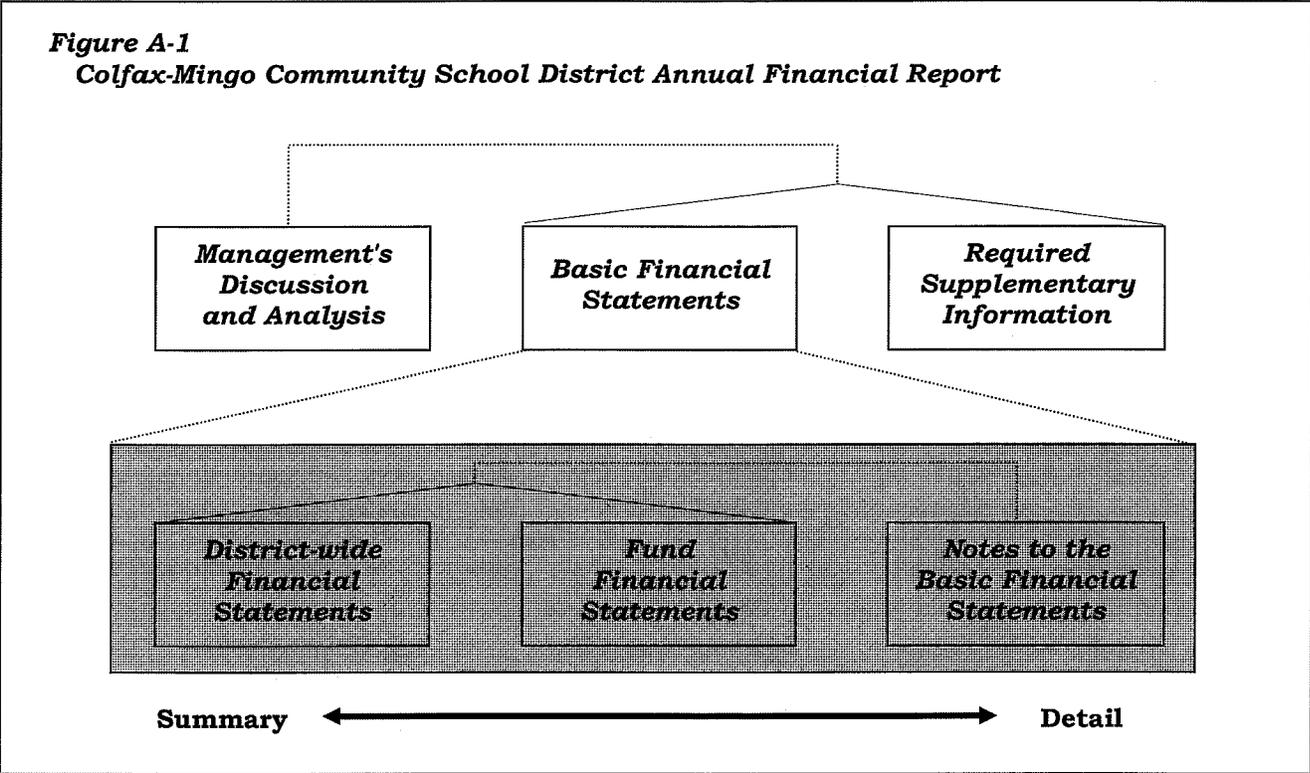


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, 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 includes the Private Purpose Trust Fund and Agency Fund.
 - Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

- Agency Funds - These are funds through which the District administers and accounts for certain revenue collected for other groups.

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 at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 6,488,585	7,686,539	12,857	28,143	6,501,442	7,714,682	-15.73%
Capital assets	11,649,772	9,988,448	23,055	32,001	11,672,827	10,020,449	16.49%
Total assets	18,138,357	17,674,987	35,912	60,144	18,174,269	17,735,131	2.48%
Long-term liabilities	9,388,382	9,891,074	0	0	9,388,382	9,891,074	-5.08%
Other liabilities	5,093,805	4,842,525	100,867	106,395	5,194,672	4,948,920	4.97%
Total liabilities	14,482,187	14,733,599	100,867	106,395	14,583,054	14,839,994	-1.73%
Net assets:							
Investment in capital assets, net of related debt	2,354,837	2,016,264	23,055	32,001	2,377,892	2,048,265	16.09%
Restricted	708,889	101,769	0	0	708,889	101,769	596.57%
Unrestricted	592,444	823,355	(88,010)	(78,252)	504,434	745,103	-32.30%
Total net assets	\$ 3,656,170	2,941,388	(64,955)	(46,251)	3,591,215	2,895,137	24.04%

The District's combined net assets increased by 24.04%, or \$696,078, under the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$607,120, or 596.57% over the prior year. This increase was primary due to the reclassification of the Capital Projects and Debt Service Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$240,669, or 32.30%. This decrease was primarily due to the decrease in the fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 278,209	317,499	193,213	198,549	471,422	516,048	-8.65%
Operating grants and contributions and restricted interest	786,832	739,686	143,873	104,996	930,705	844,682	10.18%
Capital grants and contributions and restricted interest	11,476	1,000	0	0	11,476	1,000	1047.60%
General revenues:							
Property tax	2,499,907	2,245,146	0	0	2,499,907	2,245,146	11.35%
Income surtax	274,506	343,950	0	0	274,506	343,950	-20.19%
Local option sales and services tax	501,684	428,865	0	0	501,684	428,865	16.98%
Unrestricted state grants	3,669,855	3,687,446	0	0	3,669,855	3,687,446	-0.48%
Unrestricted investment earnings	144,814	252,966	362	132	145,176	253,098	-42.64%
Other general revenues	134,478	109,318	0	0	134,478	109,318	23.02%
Transfers	(15,347)	0	0	0	(15,347)	0	-100.00%
Total revenues	8,286,414	8,125,876	337,448	303,677	8,623,862	8,429,553	2.31%
Program expenses:							
Governmental activities:							
Instructional	4,741,245	4,793,863	0	0	4,741,245	4,793,863	-1.10%
Support services	1,875,485	2,049,285	0	0	1,875,485	2,049,285	-8.48%
Non-instructional programs	0	0	356,152	339,600	356,152	339,600	4.87%
Other expenses	954,902	1,356,195	0	0	954,902	1,356,195	-29.59%
Total expenses	7,571,632	8,199,343	356,152	339,600	7,927,784	8,538,943	-7.16%
Changes in net assets	714,782	(73,467)	(18,704)	(35,923)	696,078	(109,390)	-736.33%
Beginning net assets	2,941,388	3,014,855	(46,251)	(10,328)	2,895,137	3,004,527	-3.64%
Ending net assets	\$ 3,656,170	2,941,388	(64,955)	(46,251)	3,591,215	2,895,137	24.04%

In fiscal 2007, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 83.82% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.89% of the revenue from business-type activities.

The District's total revenues, net transfers were \$8,623,862 of which \$8,286,414 was for governmental activities and \$337,448 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 2.31% increase in revenues and a 7.16% decrease in expenses. Property tax increased by \$254,761 to fund expenditures. The decreases in expenses were related to decreases in other expenses.

Governmental Activities

Revenues, net transfers for governmental activities were \$8,286,414 and expenses were \$7,571,632.

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		
	2007	2006	Change	2007	2006	Change
			2006-07			2006-07
Instruction	\$ 4,741,245	4,793,863	-1.10%	3,938,873	3,991,165	-1.31%
Support services	1,875,485	2,049,285	-8.48%	1,862,484	2,048,273	-9.07%
Other expenses	954,902	1,356,195	-29.59%	693,758	1,101,720	-37.03%
Totals	\$ 7,571,632	8,199,343	-7.66%	6,495,115	7,141,158	-9.05%

- The cost financed by users of the District's programs was \$278,209.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$798,308.
- The net cost of governmental activities was financed with \$2,499,907 in property tax, \$274,506 in income surtax, \$501,684 in local option sales and services tax, \$3,669,955 in unrestricted state grants, \$144,814 in interest income and \$134,478 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$337,448 and expenses were \$356,152. 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 \$1,231,550, below last year's ending fund balance of \$2,682,618. However, the primary reason for the decrease in combined fund balances in fiscal 2007 is due to the capital construction expenses from the Capital Projects Fund.

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 2007, causing the General Fund balance to decrease.
- The Capital Projects Fund balance decreased from \$1,637,915 at June 30, 2006 to \$303,166 at June 30, 2007 due to the capital construction.
- The Debt Service Fund balance increased from \$220,012 at June 30, 2006 to \$257,815 in at June 30, 2007 due to debt reserve requirements.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from a deficit \$46,251 at June 30, 2006 to a deficit \$64,955 at June 30, 2007, representing a decrease of 40.44%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$591,746 more than budgeted revenues, a variance of 7.36%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services, non-instructional programs and other expenses functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$11,672,827, 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 increase of 16.49% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$345,197.

The original cost of the District's capital assets was \$15,085,203. Governmental funds account for \$14,949,107 with the remainder of \$136,096 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$7,806 at June 30, 2007, compared to \$6,477,690 reported at June 30, 2006.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 123,219	123,219	0	0	123,219	123,219	0.00%
Construction in progress	7,806	6,477,690	0	0	7,806	6,477,690	-99.88%
Buildings	11,250,141	3,201,852	0	0	11,250,141	3,201,852	251.36%
Land improvements	130,951	94,280	0	0	130,951	94,280	38.90%
Machinery and equipment	137,655	91,407	23,055	32,001	160,710	123,408	30.23%
Total	\$ 11,649,772	9,988,448	23,055	32,001	11,672,827	10,020,449	16.49%

Long-Term Debt

At year-end, the District had \$9,388,382 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 5.08% from last years balance of \$9,891,074. (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
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 6,800,000	7,060,000	-3.68%
Revenue bonds	2,385,000	2,670,000	-10.67%
Energy loan	23,491	37,862	-37.96%
Mower lease	0	4,692	-100.00%
Computer lease	0	7,357	-100.00%
Bus lease	49,500	0	100.00%
Lighting loan	24,623	0	100.00%
Van lease	12,321	0	100.00%
Compensated absences	54,908	54,181	1.34%
Early retirement	38,539	56,982	-32.37%
Totals	<u>\$ 9,388,382</u>	<u>9,891,074</u>	<u>-5.08%</u>

The District had \$6,800,000 in general obligation bonds outstanding at June 30, 2007.

The District had \$2,385,000 in revenue bonds outstanding at June 30, 2007.

The District had an energy loan note payable of \$23,491 at June 30, 2007 payable from the General Fund.

The District had a bus lease payable of \$49,500 at June 30, 2007 payable from the Special Revenue, Physical Plant and Equipment Levy Fund.

The District had a lighting loan payable of \$24,623 at June 30, 2007 payable from the Special Revenue, Physical Plant and Equipment Levy Fund.

The District had a van lease payable of \$12,321 at June 30, 2007 payable from the Special Revenue, Physical Plant and Equipment Levy Fund.

The District had compensated absences payable of \$54,908 at June 30, 2007 payable from the General Fund.

The District had early retirement payable of \$38,539 at June 30, 2007 payable from the Special Revenue, Management Levy Fund.

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's certified enrollment is down 1.4 students for funding of fiscal year 2007. Projections indicate the District may have declining enrollment in future years.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. The district's cash balance will support short term funding shortfalls from the state.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact 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, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 5)	\$ 2,029,090	0	2,029,090
Other	1,325,284	7,613	1,332,897
Receivables:			
Property tax:			
Delinquent	47,282	0	47,282
Succeeding year	2,396,904	0	2,396,904
Income surtax	262,214	0	262,214
Interfund	98,739	0	98,739
Accrued ISCAP interest (Note 5)	92,046	0	92,046
Due from other governments	237,026	0	237,026
Inventories	0	5,244	5,244
Capital assets, net of accumulated depreciation (Note 6)	11,649,772	23,055	11,672,827
TOTAL ASSETS	18,138,357	35,912	18,174,269
LIABILITIES			
Interfund payable	0	98,739	98,739
Accounts payable	93,870	0	93,870
Contract payable	4,000	0	4,000
Salaries and benefits payable	375,663	0	375,663
ISCAP warrants payable (Note 5)	2,033,000	0	2,033,000
ISCAP accrued interest payable (Note 5)	79,315	0	79,315
ISCAP unamortized premium	12,069	0	12,069
Interest payable	98,984	0	98,984
Deferred revenue:			
Succeeding year property tax	2,396,904	0	2,396,904
Unearned revenue	0	2,128	2,128
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds payable	275,000	0	275,000
Revenue bond payable	295,000	0	295,000
Energy loan payable	15,432	0	15,432
Bus lease payable	9,046	0	9,046
Lighting loan payable	5,510	0	5,510
Van lease payable	4,851	0	4,851
Compensated absences payable	54,908	0	54,908
Early retirement payable	12,225	0	12,225
Portion due after one year:			
General obligation bonds payable	6,525,000	0	6,525,000
Revenue bond payable	2,090,000	0	2,090,000
Energy loan	8,059	0	8,059
Bus lease payable	40,454	0	40,454
Lighting loan payable	19,113	0	19,113
Van lease payable	7,470	0	7,470
Early retirement payable	26,314	0	26,314
TOTAL LIABILITIES	14,482,187	100,867	14,583,054
NET ASSETS			
Invested in capital assets, net of related debt	2,354,837	23,055	2,377,892
Restricted for:			
Debt service	257,815	0	257,815
Talented and gifted	18,027	0	18,027
Market factor	6,227	0	6,227
Beginning administrator mentoring	1,500	0	1,500
Early intervention	38,832	0	38,832
Capital projects	303,166	0	303,166
Physical plant and equipment levy	49,581	0	49,581
Other special revenue purposes	33,741	0	33,741
Unrestricted	592,444	(88,010)	504,434
TOTAL NET ASSETS	\$ 3,656,170	(64,955)	3,591,215

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,028,261	120,417	480,677	0	(2,427,167)	0	(2,427,167)
Special instruction	832,651	29,703	43,431	0	(759,517)	0	(759,517)
Other instruction	880,333	127,643	501	0	(752,189)	0	(752,189)
	4,741,245	277,763	524,609	0	(3,938,873)	0	(3,938,873)
Support services:							
Student services	99,401	0	0	0	(99,401)	0	(99,401)
Instructional staff services	135,260	0	0	0	(135,260)	0	(135,260)
Administration services	1,020,722	0	0	0	(1,020,722)	0	(1,020,722)
Operation and maintenance of plant services	347,929	0	0	11,476	(336,453)	0	(336,453)
Transportation services	272,173	446	1,079	0	(270,648)	0	(270,648)
	1,875,485	446	1,079	11,476	(1,862,484)	0	(1,862,484)
Other expenditures:							
Long-term debt interest	402,178	0	0	0	(402,178)	0	(402,178)
AEA flowthrough	261,144	0	261,144	0	0	0	0
Depreciation(unallocated) *	291,580	0	0	0	(291,580)	0	(291,580)
	954,902	0	261,144	0	(693,758)	0	(693,758)
Total governmental activities	7,571,632	278,209	786,832	11,476	(6,495,115)	0	(6,495,115)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	356,152	193,213	143,873	0	0	(19,066)	(19,066)
Total business-type activities	356,152	193,213	143,873	0	0	(19,066)	(19,066)
Total	\$ 7,927,784	471,422	930,705	11,476	(6,495,115)	(19,066)	(6,514,181)
General Revenues and Transfers:							
General Revenues:							
Property tax for:							
General purposes					\$ 1,907,567	0	1,907,567
Debt Service					546,991	0	546,991
Capital outlay					45,349	0	45,349
Income surtax					274,506	0	274,506
Local option sales and services tax					501,684	0	501,684
Unrestricted state grants					3,669,855	0	3,669,855
Unrestricted investment earnings					144,814	362	145,176
Other general revenues					134,478	0	134,478
Transfers					(15,347)	0	(15,347)
Total general revenues and transfers					7,209,897	362	7,210,259
Changes in net assets					714,782	(18,704)	696,078
Net assets beginning of year					2,941,388	(46,251)	2,895,137
Net assets end of year					\$ 3,656,170	(64,955)	3,591,215

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

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP (Note 5)	\$ 2,029,090	0	0	0	2,029,090
Other	880,440	152,046	221,502	71,296	1,325,284
Receivables:					
Property tax:					
Delinquent	33,062	0	11,754	2,466	47,282
Succeeding year	1,678,637	0	551,568	166,699	2,396,904
Income surtax	262,214	0	0	0	262,214
Interfund	104,674	45,003	30,103	5,544	185,324
Accrued ISCAP interest (Note 5)	92,046	0	0	0	92,046
Due from other governments	67,183	162,037	0	7,806	237,026
TOTAL ASSETS	\$ 5,147,346	359,086	814,927	253,811	6,575,170
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 45,003	30,103	5,544	5,935	86,585
Accounts payable	72,053	21,817	0	0	93,870
Contracts payable	0	4,000	0	0	4,000
Salaries and benefits payable	375,663	0	0	0	375,663
ISCAP warrants payable (Note 5)	2,033,000	0	0	0	2,033,000
ISCAP accrued interest payable (Note 5)	79,315	0	0	0	79,315
ISCAP unamortized premium	12,069	0	0	0	12,069
Deferred revenue:					
Succeeding year property tax	1,678,637	0	551,568	166,699	2,396,904
Income surtax	262,214	0	0	0	262,214
Total liabilities	4,557,954	55,920	557,112	172,634	5,343,620
Fund balances:					
Reserved for:					
Debt service	0	0	257,815	0	257,815
Talented and gifted	18,027	0	0	0	18,027
Market factor	6,227	0	0	0	6,227
Beginning administrator mentoring	1,500	0	0	0	1,500
Early intervention	38,832	0	0	0	38,832
Unreserved:					
General	524,806	0	0	0	524,806
Capital projects	0	303,166	0	0	303,166
Management levy	0	0	0	(2,145)	(2,145)
Physical plant and equipment levy	0	0	0	49,581	49,581
Other special revenue purposes	0	0	0	33,741	33,741
Total fund balances	589,392	303,166	257,815	81,177	1,231,550
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,147,346	359,086	814,927	253,811	6,575,170

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, 2007

Total fund balances of governmental funds (page 16)	\$ 1,231,550
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	11,649,772
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	262,214
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.	(98,984)
Long-term liabilities, including general obligation bonds, revenue bonds, energy loan, bus lease, lighting loan, van lease, compensated absences and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,388,382)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 3,656,170</u></u>

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, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,101,198	501,684	546,991	126,251	3,276,124
Tuition	119,091	0	0	0	119,091
Other	180,771	111,418	2,361	142,376	436,926
Intermediate sources	2,088	0	0	0	2,088
State sources	4,293,781	0	340	83	4,294,204
Federal sources	159,894	0	0	7,806	167,700
Total revenues	6,856,823	613,102	549,692	276,516	8,296,133
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	3,044,310	0	0	0	3,044,310
Special instruction	823,207	0	0	0	823,207
Other instruction	738,348	0	0	136,491	874,839
	4,605,865	0	0	136,491	4,742,356
Support services:					
Student services	99,401	0	0	0	99,401
Instructional staff services	135,260	0	0	0	135,260
Administration services	915,586	0	0	118,131	1,033,717
Operation and maintenance of plant services	603,653	0	0	80,693	684,346
Transportation services	321,682	0	0	0	321,682
	2,075,582	0	0	198,824	2,274,406
Other expenditures:					
Facilities acquisitions	0	1,516,252	0	54,336	1,570,588
Long-term debt:					
Principal	0	0	601,023	0	601,023
Interest and fiscal charges	0	0	404,039	0	404,039
AEA flowthrough	261,144	0	0	0	261,144
	261,144	1,516,252	1,005,062	54,336	2,836,794
Total expenditures	6,942,591	1,516,252	1,005,062	389,651	9,853,556
Deficiency of revenues under expenditures	(85,768)	(903,150)	(455,370)	(113,135)	(1,557,423)
Other financing sources(uses):					
Transfer in	0	0	493,173	0	493,173
Transfer out	(24,337)	(431,599)	0	(52,584)	(508,520)
Proceeds from the disposal of property	5,655	0	0	0	5,655
Proceeds from lighting loan	0	0	0	35,854	35,854
Proceeds from bus lease	0	0	0	64,193	64,193
Proceeds from van lease	0	0	0	16,000	16,000
Total other financing sources(uses)	(18,682)	(431,599)	493,173	63,463	106,355
Net change in fund balances	(104,450)	(1,334,749)	37,803	(49,672)	(1,451,068)
Fund balance beginning of year	693,842	1,637,915	220,012	130,849	2,682,618
Fund balance end of year	\$ 589,392	303,166	257,815	81,177	1,231,550

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, 2007

Net change in fund balances - total governmental funds (page 18) \$ (1,451,068)

**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, depreciation expense and loss on disposal of capital assets in the year are as follows:

Capital outlays	\$ 1,996,170	
Depreciation expense	(334,214)	
Loss on disposal of capital assets	(632)	1,661,324

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 repayments exceeded issues, as follows:

Issued	\$ (116,047)	
Repaid	601,023	484,976

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.

1,861

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

(27)

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	\$ (727)	
Early retirement	18,443	17,716

Changes in net assets of governmental activities (page 15) \$ 714,782

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	School Nutrition
ASSETS	
Cash and pooled investments	\$ 7,613
Interfund receivable	877
Inventories	5,244
Capital assets, net of accumulated depreciation (Note 6)	23,055
TOTAL ASSETS	36,789
 LIABILITIES	
Interfund payable	99,616
Unearned revenue	2,128
TOTAL LIABILITIES	101,744
 NET ASSETS	
Invested in capital assets	23,055
Unrestricted	(88,010)
TOTAL NET ASSETS	\$ (64,955)

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, 2007

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 193,213
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	109,488
Benefits	49,679
Services	1,992
Supplies	184,010
Depreciation	10,983
TOTAL OPERATING EXPENSES	356,152
OPERATING LOSS	(162,939)
NON-OPERATING REVENUES:	
State sources	4,045
Federal sources	139,828
Interest income	362
TOTAL NON-OPERATING REVENUES	144,235
Change in net assets	(18,704)
Net assets beginning of year	(46,251)
Net assets end of year	\$ (64,955)

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 190,582
Cash received from miscellaneous	3,077
Cash payments to employees for services	(159,167)
Cash payments to suppliers for goods or services	(162,141)
Net cash used in operating activities	(127,649)
Cash flows from non-capital financing activities:	
Interfund loan repaid to the General Fund	(3,431)
Interfund loan due from the Student Activity Fund	(877)
State grants received	4,045
Federal grants received	138,866
Net cash provided by non-capital financing activities	138,603
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,037)
Cash flows from investing activities:	
Interest on investments	362
Net increase in cash and cash equivalents	9,279
Cash and cash equivalents at beginning of year	(1,666)
Cash and cash equivalents at end of year	\$ 7,613
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (162,939)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	23,803
Depreciation	10,983
Decrease in inventories	58
Increase in unearned revenue	446
Net cash used in operating activities	\$ (127,649)

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

Current assets:	
Cash and pooled investments	\$ 7,613

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$23,803.

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2007

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 16,617	1,149
	<u>\$ 16,617</u>	<u>1,149</u>
LIABILITIES		
Due to other groups	0	1,149
	<u>0</u>	<u>1,149</u>
NET ASSETS		
Reserved for scholarships	\$ 16,617	0
	<u><u>\$ 16,617</u></u>	<u><u>0</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 1,000
Interest income	970
Total additions	<u>1,970</u>
Deletions:	
Instruction:	
Other instruction:	
Scholarships awarded	700
Total deletions	<u>700</u>
Change in net assets before other financing sources	1,270
Other financing sources:	
Transfer in	<u>15,347</u>
Change in net assets	16,617
Net assets beginning of year	<u>0</u>
Net assets end of year	<u>\$ 16,617</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(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, 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net

assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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

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

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

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

Capital assets 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.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balance - 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, 2007, expenditures in the support services, non-

instructional programs and other expenses functions exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2007 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, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 169,415

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) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Capital Projects	\$ 30,103
Capital Projects	General	30,103
PPEL	Debt Service	5,544
Capital Projects	General	14,900
General	Management Levy	4,330
General	Student Activity	728
School Nutrition	Student Activity	877
General	School Nutrition	99,616
Total		\$ 186,201

Capital Projects Fund is repaying the Debt Service Fund for local option sales and services tax received during the year that was used to repay outstanding bonds. The balance will be repaid by June 30, 2008.

General Fund is repaying the Capital Projects Fund for local option sales and services tax received during the year that was receipted into the incorrect bank account. The balance will be repaid by June 30, 2008.

The Debt Service Fund is repaying the Physical Plant and Equipment Levy Fund for a previous year mower lease payment inadvertently transferred twice. The balance will be repaid by June 30, 2008.

The General Fund is repaying the Capital Projects Fund for excess cash that was transferred to pay for construction services. The balance will be repaid by June 30, 2008.

The Management Levy Fund is repaying the General Fund for cash borrowed during the year. The balance will be repaid by June 30, 2008.

The Student Activity Fund is repaying the General Fund for receipts inadvertently deposited into the wrong bank account. The balance will be repaid by June 30, 2008.

The Student Activity Fund is repaying the School Nutrition Fund for receipts inadvertently deposited into the wrong bank account. The balance will be repaid by June 30, 2008.

School Nutrition Fund is repaying the General Fund for salaries and benefits paid in fiscal 2007. The balance will be repaid by June 30, 2008.

(4) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 24,337
Debt Service	Special Revenue, Physical Plant and Equipment Levy	37,237
Debt Service	Capital Projects	431,599
Private Purpose Trust	Expendable Trust	<u>15,347</u>
Total		<u>\$ 508,520</u>

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

General Fund transferred to the Debt Service Fund to pay the energy loan and computer lease.

Physical Plant and Equipment Fund transferred to the Debt Service Fund to pay the mower lease, bus lease, lighting loan and van lease.

Capital Projects Fund transferred to the Debt Service Fund to pay revenue bonds and debt relief.

The Expendable Trust Fund was transferred to the Private Purpose Trust Fund to remove the Trust from the governmental financial statements and shown now as fiduciary.

(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, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	75,467	0	65,224
2006-07B	1/26/07	1/25/08	717,166	392	719,000	334
2007-08A	6/28/07	6/27/08	1,311,924	16,187	1,314,000	13,757
Total			\$ 2,029,090	92,046	2,033,000	79,315

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ 0	250,000	250,000	0

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
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 123,219	0	0	123,219
Construction in progress	6,477,690	1,821,853	8,291,737	7,806
Total capital assets not being depreciated	6,600,909	1,821,853	8,291,737	131,025
Capital assets being depreciated:				
Buildings	5,189,289	8,316,761	0	13,506,050
Land improvements	329,241	60,411	4,217	385,435
Machinery and equipment	895,841	88,882	58,126	926,597
Total capital assets being depreciated	6,414,371	8,466,054	62,343	14,818,082
Less accumulated depreciation for:				
Buildings	1,987,437	268,472	0	2,255,909
Land improvements	234,961	23,108	3,585	254,484
Machinery and equipment	804,434	42,634	58,126	788,942
Total accumulated depreciation	3,026,832	334,214	61,711	3,299,335
Total capital assets being depreciated, net	3,387,539	8,131,840	632	11,518,747
Governmental activities capital assets, net	\$ 9,988,448	9,953,693	8,292,369	11,649,772
Business-type activities:				
Machinery and equipment	\$ 134,059	2,037	0	136,096
Less accumulated depreciation	102,058	10,983	0	113,041
Business-type activities capital assets, net	\$ 32,001	(8,946)	0	23,055

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 2,707
Special		1,569
Other		331
Support services:		
Administration		1,681
Operation and maintenance of plant		5,662
Transportation		30,684
		<u>42,634</u>
Unallocated depreciation		<u>291,580</u>
Total governmental activities depreciation expense		<u>\$ 334,214</u>
Business-type activities:		
Food service operations		<u>\$ 10,983</u>

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 7,060,000	0	260,000	6,800,000	275,000
Revenue bonds	2,670,000	0	285,000	2,385,000	295,000
Energy loan	37,862	0	14,371	23,491	15,432
Mower lease	4,692	0	4,692	0	0
Computer lease	7,357	0	7,357	0	0
Bus lease	0	64,193	14,693	49,500	9,046
Lighting loan	0	35,854	11,231	24,623	5,510
Van lease	0	16,000	3,679	12,321	4,851
Compensated absences	54,181	54,908	54,181	54,908	54,908
Early retirement	56,982	0	18,443	38,539	12,225
Total	<u>\$ 9,891,074</u>	<u>170,955</u>	<u>673,647</u>	<u>9,388,382</u>	<u>671,972</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2003			Bond Issue of November 1, 2004		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
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
2013-2017	3.40-3.80	1,130,000	127,220	3.60-4.05	540,000	713,832
2018-2022		-	-	4.05-4.50	2,045,000	467,686
2023-2025		-	-	4.50-4.60	950,000	54,787
Total		\$ 2,115,000	423,194		\$ 3,960,000	2,036,196

Year Ending June 30,	Bond Issue of May 1, 2005			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
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
2013-2017	5.750	50,000	179,213	1,720,000	1,020,265	2,740,265
2018-2022	5.750	75,000	161,963	2,120,000	629,649	2,749,649
2023-2025	5.75-5.40	550,000	86,828	1,500,000	141,615	1,641,615
Total		\$ 725,000	621,591	\$ 6,800,000	3,080,981	9,880,981

Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2005			
	Interest Rates	Principal	Interest	Total
2008	4.800 %	\$ 295,000	103,292	398,292
2009	4.800	310,000	88,892	398,892
2010	4.80-4.75	325,000	73,892	398,892
2011	4.750	340,000	58,178	398,178
2012	4.750	360,000	42,028	402,028
2013-2014	4.75-4.00	755,000	38,380	793,380
Total		\$ 2,385,000	404,662	2,789,662

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$282,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Energy Loan Note

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

Year Ending June 30,	Note Issue of September 4, 1996			
	Interest Rates	Principal	Interest	Total
2008	5.900 %	\$ 15,432	1,162	16,594
2009	5.900	8,059	238	8,297
Total		\$ 23,491	1,400	24,891

Bus Lease

During the year ended June 30, 2007, the District entered into a bus lease agreement with Kansas State Bank of Manhattan. The lease requires annual payments of \$11,490. The lease will be repaid with property taxes levied in the Physical Plant and Equipment Levy Fund. Details of the District's lease payments are as follows:

Year Ending June 30,	Bus Lease of October 15, 2007			
	Interest Rates	Principal	Interest	Total
2008	4.940 %	\$ 9,046	2,444	11,490
2009	4.940	9,343	2,147	11,490
2010	4.940	9,839	1,651	11,490
2011	4.940	10,361	1,129	11,490
2012	4.940	10,911	579	11,490
Total		\$ 49,500	7,950	57,450

Lighting Loan

During the year ended June 30, 2007, the District entered into a loan for football field lighting with Musco Finance. The loan requires annual payments of \$7,341. The loan will be repaid with property taxes levied in the Physical Plant and Equipment Levy Fund. Details of the District's loan payments are as follows:

Year Ending June 30,	Lighting Loan of August 22, 2006			
	Interest Rates	Principal	Interest	Total
2008	7.120 %	\$ 5,510	1,831	7,341
2009	7.120	5,920	1,421	7,341
2010	7.120	6,360	981	7,341
2011	7.120	6,833	508	7,341
Total		\$ 24,623	4,741	29,364

Van Lease

During the year ended June 30, 2007, the District entered into a lease for a van with the Colfax-Mingo Education Foundation. The lease requires monthly payments of \$462.47. The loan will be repaid with property taxes levied in the Physical Plant and Equipment Levy Fund. Details of the District's lease payments are as follows:

Year Ending June 30,	Van Lease of November 20, 2006			
	Interest Rates	Principal	Interest	Total
2008	5.670 %	\$ 4,851	699	5,550
2009	5.670	5,197	353	5,550
2010	5.670	2,273	39	2,312
Total		\$ 12,321	1,091	13,412

Early Retirement

The District offered a voluntary early retirement plan to its licensed employees. Eligible employees must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive is 1% of the employee's salary times the number of years of service. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$18,443. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the government-wide financial statements representing the District's commitment to fund non-current early retirement of \$38,539.

(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, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$222,156, \$226,298 and \$213,164 respectively, equal to the required contributions for each year.

(9) Risk Management

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

(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 \$261,144 for the year ended June 30, 2007 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, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the support services, non-instructional programs and other expenses functions exceeded the amounts budgeted.

(12) Construction Commitment

The District has entered into a contract totaling \$25,681 for a fire safety project at the Middle School. As of June 30, 2007, costs of \$7,806 had been incurred against the contracts. The balance of \$17,875 remaining at June 30, 2007 will be paid as work on the project progresses.

(13) Deficit Unrestricted Net Assets/Fund Balance

The Enterprise, School Nutrition Fund had a deficit unrestricted net asset balance of \$88,010 at June 30, 2007. The Special Revenue, Management Levy Fund had a deficit fund balance of \$2,145 at June 30, 2007.

(14) Operating Lease Obligation

The District leases a central office facility on a monthly basis. The lease contract extends through June 30, 2016. Annual lease payments are \$12,000.

(15) Preschool Lease

The District is leasing a classroom to the Colfax Community Preschool. The lease contract began August 1, 2006 and does not specify length terms. Annual lease payments are \$1.

REQUIRED SUPPLEMENTARY INFORMATION

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,832,141	193,575	4,025,716	3,660,711	3,660,711	365,005
Intermediate sources	2,088	0	2,088	0	0	2,088
State sources	4,294,204	4,045	4,298,249	4,136,124	4,136,124	162,125
Federal sources	167,700	139,828	307,528	245,000	245,000	62,528
Total revenues	8,296,133	337,448	8,633,581	8,041,835	8,041,835	591,746
Expenditures:						
Instruction	4,742,356	0	4,742,356	5,273,032	5,273,032	530,676
Support services	2,274,406	0	2,274,406	2,179,666	2,179,666	(94,740)
Non-instructional programs	0	356,152	356,152	313,000	313,000	(43,152)
Other expenditures	2,836,794	0	2,836,794	2,550,410	2,550,410	(286,384)
Total expenditures	9,853,556	356,152	10,209,708	10,316,108	10,316,108	106,400
Deficiency of revenues under expenditures	(1,557,423)	(18,704)	(1,576,127)	(2,274,273)	(2,274,273)	698,146
Other financing sources, net	106,355	0	106,355	0	0	106,355
Deficiency of revenues and and other financing sources under expenditures	(1,451,068)	(18,704)	(1,469,772)	(2,274,273)	(2,274,273)	804,501
Balance beginning of year	2,682,618	(46,251)	2,636,367	1,575,329	1,575,329	1,061,038
Balance end of year	\$ 1,231,550	(64,955)	1,166,595	(698,944)	(698,944)	1,865,539

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

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 GAAP basis.

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

During the year ended June 30, 2007, expenditures in the support services, non-instructional programs and other expenses functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2007

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 721	35,346	35,229	71,296
Receivables:				
Property tax:				
Current year delinquent	1,464	0	1,002	2,466
Succeeding year	120,000	0	46,699	166,699
Interfund	0	0	5,544	5,544
Due from other governments	0	0	7,806	7,806
TOTAL ASSETS	\$ 122,185	35,346	96,280	253,811
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 4,330	1,605	0	5,935
Deferred revenue:				
Succeeding year property tax	120,000	0	46,699	166,699
Total liabilities	124,330	1,605	46,699	172,634
Fund balances:				
Unreserved	(2,145)	33,741	49,581	81,177
Total fund balances	(2,145)	33,741	49,581	81,177
TOTAL LIABILITIES AND FUND BALANCES	\$ 122,185	35,346	96,280	253,811

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2007

	Nonmajor Special Revenue Funds				Total Special Revenue Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	
Revenues:					
Local sources:					
Local tax	\$ 80,902	0	45,349	0	126,251
Other	10,615	127,696	4,065	0	142,376
State sources	54	0	29	0	83
Federal sources	0	0	7,806	0	7,806
Total revenues	<u>91,571</u>	<u>127,696</u>	<u>57,249</u>	<u>0</u>	<u>276,516</u>
Expenditures:					
Current:					
Instruction:					
Other instruction	0	136,491	0	0	136,491
Support services:					
Administration services	118,081	0	50	0	118,131
Operation and maintenance of plant services	0	0	80,693	0	80,693
Other expenditures:					
Facilities acquisitions	0	0	54,336	0	54,336
Total expenditures	<u>118,081</u>	<u>136,491</u>	<u>135,079</u>	<u>0</u>	<u>389,651</u>
Deficiency of revenues under expenditures	(26,510)	(8,795)	(77,830)	0	(113,135)
Other financing sources(uses)					
Proceeds from lighting loan	0	0	35,854	0	35,854
Proceeds from bus lease	0	0	64,193	0	64,193
Proceeds from van lease	0	0	16,000	0	16,000
Transfer out	0	0	(37,237)	(15,347)	(52,584)
Total other financing sources(uses)	<u>0</u>	<u>0</u>	<u>78,810</u>	<u>(15,347)</u>	<u>63,463</u>
Net change in fund balances	(26,510)	(8,795)	980	(15,347)	(49,672)
Fund balances beginning of year	24,365	42,536	48,601	15,347	130,849
Fund balances end of year	<u>\$ (2,145)</u>	<u>33,741</u>	<u>49,581</u>	<u>0</u>	<u>81,177</u>

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, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activity	\$ (4,634)	2,850	(2,803)	1,019
Fair	5,505	0	5,505	0
Student Council	6,502	0	0	6,502
Elementary	1,653	5,104	9,545	(2,788)
Zoo Trip	25	0	0	25
Chorus	(27)	0	0	(27)
Band	228	0	0	228
Interest	1,224	0	1,224	0
Cheerleaders	2,527	716	0	3,243
Student Council	(4,091)	3,488	1,204	(1,807)
Middle	8,286	24,060	28,715	3,631
MS Tag	601	0	0	601
Drama	571	1,448	1,080	939
Speech	(789)	1,179	208	182
Chorus	1,655	701	218	2,138
Band	775	670	219	1,226
Athletics	(13,981)	5,594	6,398	(14,785)
Cross Country	(2,773)	1,015	1,972	(3,730)
Boys Basketball	11,009	4,759	3,829	11,939
Football	7,592	11,947	7,273	12,266
Baseball	(6,667)	5,858	7,994	(8,803)
Boys Track	(6,041)	243	410	(6,208)
Boys Golf	(1,510)	630	1,298	(2,178)
HS Swimming	448	0	412	36
Wrestling	(1,637)	3,085	2,662	(1,214)
Girls Basketball	8,660	2,606	3,323	7,943
Volleyball	2,677	1,820	1,508	2,989
Softball	4,825	4,573	4,221	5,177
Girls Track	(1,351)	1,119	811	(1,043)
Girls Golf	(1,417)	483	854	(1,788)
Interest	(31)	53	0	22
Cheerleaders	483	3,455	3,005	933
Student Council	15,886	4,251	2,205	17,932
Annual	(4,365)	4,979	9,501	(8,887)
Art Club	47	24	50	21
Class of 2006	1,199	0	0	1,199
Class of 2007	775	1,127	1,571	331
Class of 2008	0	6,850	6,721	129
Class of 2009	89	0	0	89
Class of 2010	0	10	0	10
Activity Account	165	0	165	0
FFA	1,122	7,504	6,999	1,627
Icons Club	137	0	0	137
Sound Club	1,303	66	41	1,328
Spanish Club	2,733	11,329	14,389	(327)
Tigerhawk Club	377	0	0	377
Wrestling Pep Club	808	588	0	1,396
ISEC	559	0	0	559
Drill Team	1,404	3,512	3,764	1,152
Total	\$ 42,536	127,696	136,491	33,741

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2007

	Capital Project Funds			
	High School Capital Projects	Elementary Capital Projects	Local Option Sales and Services Tax	Total Capital Projects
ASSETS				
Cash and pooled investments	\$ 148,855	3,191	0	152,046
Interfund receivable	14,900	0	30,103	45,003
Due from other governments	0	0	162,037	162,037
TOTAL ASSETS	<u>163,755</u>	<u>3,191</u>	<u>192,140</u>	<u>359,086</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	0	30,103	30,103
Accounts payable	21,817	0	0	21,817
Contracts payable	4,000	0	0	4,000
Total liabilities	<u>25,817</u>	<u>0</u>	<u>30,103</u>	<u>55,920</u>
Fund balances:				
Unreserved:				
Capital projects	137,938	3,191	162,037	303,166
Total fund balances	<u>137,938</u>	<u>3,191</u>	<u>162,037</u>	<u>303,166</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 163,755</u>	<u>3,191</u>	<u>192,140</u>	<u>359,086</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2007

	Capital Projects Fund			Total
	High School Capital Projects	Elementary Capital Projects	Local Option Sales and Services Tax	
REVENUES:				
Local sources				
Local tax	\$ 0	0	501,684	501,684
Other	109,354	2,064	0	111,418
Total revenues	109,354	2,064	501,684	613,102
EXPENDITURES:				
Other expenditures:				
Facilities acquisitions	1,500,601	15,651	0	1,516,252
Total expenditures	1,500,601	15,651	0	1,516,252
Excess(deficiency) of revenues over(under) expenditures	(1,391,247)	(13,587)	501,684	(903,150)
OTHER FINANCING USES				
Transfers out	(5,280)	0	(426,319)	(431,599)
TOTAL OTHER FINANCING USES	(5,280)	0	(426,319)	(431,599)
Net change in fund balances	(1,396,527)	(13,587)	75,365	(1,334,749)
Fund balances beginning of year	1,534,465	16,778	86,672	1,637,915
Fund balances end of year	\$ 137,938	3,191	162,037	303,166

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2007

	Private Purpose Trust - Scholarship Fund		
	Umphress- Schollosser Scholarship	Jennings Scholarship	Total
ASSETS			
Cash and pooled investments	\$ 13,984	2,633	16,617
TOTAL ASSETS	<u>13,984</u>	<u>2,633</u>	<u>16,617</u>
LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS			
Reserved for scholarships	\$ 13,984	2,633	16,617

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 YEAR ENDED JUNE 30, 2007

	Private Purpose Trust - Scholarship Fund		
	Umphress- Schlosser Scholarship	Jennings Scholarship	Total
REVENUES:			
Local sources:			
Gifts and contributions	\$ 1,000	0	1,000
Interest income	779	191	970
	<u>1,779</u>	<u>191</u>	<u>1,970</u>
EXPENDITURES:			
Instruction:			
Other instruction:			
Scholarships awarded	400	300	700
Excess (deficiency) of revenues over (under) expenditures	1,379	(109)	1,270
OTHER FINANCING SOURCES:			
Transfers in	12,605	2,742	15,347
Changes in net assets	13,984	2,633	16,617
Net assets beginning of year	0	0	0
Net assets end of year	<u>\$ 13,984</u>	<u>2,633</u>	<u>16,617</u>

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, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 2,543	4,618	6,012	1,149
Total assets	<u>\$ 2,543</u>	<u>4,618</u>	<u>6,012</u>	<u>1,149</u>
Liabilities				
Due to other groups	\$ 2,543	4,618	6,012	1,149
Total liabilities	<u>\$ 2,543</u>	<u>4,618</u>	<u>6,012</u>	<u>1,149</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,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 3,276,124	3,020,975	2,861,673	2,846,958
Tuition	119,091	171,293	163,230	74,551
Other	436,926	447,273	391,548	191,329
Intermediate sources	2,088	0	0	0
State sources	4,294,204	4,240,763	3,987,537	3,975,253
Federal sources	167,700	182,164	171,778	183,185
Total	\$ 8,296,133	8,062,468	7,575,766	7,271,276
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,044,310	3,063,337	2,876,442	2,842,724
Special instruction	823,207	855,427	1,060,881	996,430
Other instruction	874,839	872,374	727,393	569,299
Support services:				
Student services	99,401	162,948	98,931	126,527
Instructional staff services	135,260	210,439	108,053	105,617
Administration services	1,033,717	854,325	850,644	724,529
Operation and maintenance of plant services	684,346	530,425	544,323	463,843
Transportation services	321,682	275,014	367,899	303,858
Other services	0	0	0	5,245
Other expenditures:				
Facilities acquisitions	1,570,588	6,042,327	895,229	0
Long-term debt:				
Principal	601,023	387,865	183,150	162,230
Interest and fiscal charges	404,039	496,026	85,512	103,609
AEA flow-through	261,144	253,475	248,379	253,884
Total	\$ 9,853,556	14,003,982	8,046,836	6,657,795

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 31, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Colfax-Mingo Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Colfax-Mingo Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Colfax-Mingo Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Colfax-Mingo Community School District's financial statements that is more than inconsequential will not be prevented or detected by Colfax-Mingo Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Colfax-Mingo Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

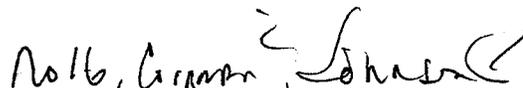
As part of obtaining reasonable assurance about whether Colfax-Mingo Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. 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, 2007 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.

Colfax-Mingo Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Colfax-Mingo Community School District's responses and, accordingly, we express no opinion on them.

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.

March 31, 2008

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 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 - The District is aware that segregation of duties is an important internal control. However, this District does not have the personnel or structure at this time to distribute these tasks. We will, however, continue to monitor and document the tasks so as to ensure the highest degree of internal control we are capable of.

Conclusion - Response accepted.

I-B-07 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments in the Nutrition Fund made for the changes in inventories, capital assets, student lunch account balances or commodities received.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - Asset inventory tracking and depreciation: Maintenance of the district asset inventory records is a large and on-going project that is tracked manually on spreadsheets. The department will entertain adding an inventory package on the accounting software system if it will make this project more efficient and timely. Long-Term Debt recognition: The high school building project presented new bookkeeping issues. Staff has gained knowledge and will continue to track and study data. Nutrition Fund: Again, appropriate software may alleviate inventory-tracking issues. We will work closely with auditors throughout the year to identify appropriate adjustments in the account.

Conclusion - Response accepted.

- I-C-07 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Donations from Target were recorded in the Student Activity Fund. These donations do not specify the purpose, other than instructional supplies; therefore, they should be received into the General fund for use in all instructional supplies/services.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be received and expended.

Response - We have identified inappropriate expenditures and deposits and will correct for future financial reporting.

Conclusion - Response accepted.

- I-D-07 Grants - We noted during our audit that when revenues and expenditures for specific projects were posted; it appeared that the revenues and expenditures were not always properly posted to the appropriate projects.

Recommendation - The District should review the coding of receipts and bills, to ensure that all receipts and bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - Coding of expenditures associated with state and federal monies received may require journal entries to tie out the funds. Staff will monitor these funds more closely in order to report expenditures to those funds most accurately.

Conclusion - Response accepted.

- I-E-07 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept, however these changes are not kept up to date and are not being kept on the District's software system. Fixed assets are required to be maintained for financial statement presentation.

Recommendation - Fixed asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the amount of fixed assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets for reporting purposes.

Response - Staff needs to develop a more efficient inventory-tracking process. Again, appropriate software may be beneficial. Staff will investigate this and also what other school district use.

Conclusion - Response accepted.

I-F-07 Reconciliation of Advertisements - We noted during our audit that the District sells yearbook advertisements. However, there is not a reconciliation of sponsor payments to the actual published advertisements in the yearbook.

Recommendation - The District should implement procedures to reconcile sponsor payments to advertisements for the yearbook prior to publishing the yearbook. In addition, the yearbook advisor should turn the reconciliation into the central office for review and verification by central office staff. The reconciliation should be available at the time of audit.

Response - Staff will involve yearbook sponsor to reconcile advertisement payments to published yearbook advertisements.

Conclusion - Response accepted.

I-G-07 Accounting for Scholarships - We noted during our audit that the District is paying for scholarships out of the Student Activity Fund. In addition, we noted the scholarship checks are being made out to the individuals.

Recommendation - The Private Purpose Trust Fund would appear to be a more appropriate fund for these transactions. Checks should be made out to both the student and the college or to the college once attendance has been determined.

Response - Payment of Spanish scholarships from the Activity Fund will cease and those funds will be transferred instead to a trust fund and disbursed from there.

Conclusion - Response accepted.

I-H-07 Timely Posting of Receipts - We noted during our audit that receipts were being posted to the computer in a batch entry including several months at a time. In addition, the receipts in the Student Activity Fund could not be traced back to the general ledger posting.

Recommendation - The District should post receipts in detail to the general ledger on a monthly basis. Support documentation should be made available to support receipts posted to the accounting system. The District should post the receipt in monthly batches as to assist in the bank reconciliation, as well as record retention and availability at the time of audit.

Response - Staff recognizes that there were delinquent postings and will make it a goal to keep them timely.

Conclusion - Response accepted.

I-I-07 Timely Deposits - We noted during our audit that deposits were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely.

Response - Staff has made a concerted effort this fiscal year 2007-08 to keep deposits timely, and provide proper backup. Anticipate some improvement in this area, but will continue to pursue.

Conclusion - Response accepted.

I-J-07 Travel Reimbursement Policy - We noted during our audit the District has a travel reimbursement board policy. The policy states that the reimbursement for mileage is 25¢ a mile; however, the District is paying 35¢ a mile.

Recommendation - The District policy should be followed. The District should reimburse 25¢ a mile per policy in place. The board can elect to review the policy and adopt a new policy. Policies need to be explained and disseminated to employees.

Response - The board policy will be updated to reflect the new rate of 35¢ per mile.

Conclusion - Response accepted.

I-K-07 Interfund Loans - We noted during our audit the District has numerous interfund loans between various funds. These can be viewed in Note 3 of the Notes to the Financial Statements on pages 31-32.

Recommendation - Funds should be transferred between accounts to resolve these loans. The District should consider a workout plan to repay the major balance between the General Fund and School Nutrition Fund.

Response - Funds have been transferred between the Management, PPEL and General accounts to resolve these loans. The Budget Committee will review action on the outstanding debt owed to the General Fund by the Nutrition Fund and make a recommendation to the board.

Conclusion - Response accepted.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007, exceeded the certified budget amounts in the support services, non-instructional programs and other expenses functions.

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

Response - We will review and amend 2007-08 budget and subsequent budgets as necessary by May of each year.

Conclusion - Response accepted.

II-B-07 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-C-07 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-D-07 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	\$286

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-E-07 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-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

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

Response - Some board minutes were not published timely. The staff will monitor to ensure timeliness.

Conclusion - Response accepted.

II-G-07 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by one student. The number of students which were tuitioned out was overstated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

II-H-07 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-I-07 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The report will be filed timely with the Department of Education here forward.

Conclusion - Response accepted.

II-J-07 Financial Condition - We noted during our audit that the School Nutrition Fund had deficit unrestricted net assets of \$88,010 at June 30, 2007. We noted during our audit the Special Revenue, Management Levy Fund had a deficit fund balance of \$2,145. We also noted during our audit that the Special Revenue, Student Activity Fund has thirteen of forty-nine accounts with deficit balances totaling \$53,585.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should review the controls in place for the Student Activity Fund. Additional controls for approving purchases may be needed as well as timely posting of receipts would improve the ability to know where the balance is at in each of the accounts. In addition, the District should create a workout plan to address the deficit Student Activity Fund account balances.

Response - The District will create a workout plan to address the historical cumulative deficit in the Nutrition Fund and will create a budget for the individual accounts within the Student Activity Fund to monitor activities on the individual accounts.

Conclusion - Response accepted.

II-K-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response - The District has contacted the banking institute with the request. More information from the bank is pending at this time.

Conclusion - Response accepted.