

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Colfax-Mingo Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Don Goodman	President	2008
Jeff Lietz	Vice President	2010
Tom Wilson	Board Member	2010
Mardell Tomlonvic	Board Member	2010
Bill Gannon	Board Member	2009
Evan Heggen	Board Member	2009
Diana Mindham	Board Member	2008
<b>Board of Education (After September 2008 Election)</b>		
Don Goodman	President	2011
Jeff Lietz	Vice President	2011 *
Mardell Tomlonvic	Board Member	2011 *
Diana Mindham	Board Member	2011
Tom Wilson	Board Member	2009 *
Bill Gannon	Board Member	2009
Evan Heggen	Board Member	2009
<b>School Officials</b>		
Ed Ackerman	Superintendent	2009
Deb Hodgson	District Secretary	2009
Kelly Wilson	District Treasurer	2009
Tom Foley	Attorney	2009

\* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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

**Certified Public Accountants**

(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, 2009, 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, 2009, 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 30, 2010 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 40 through 41 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 five years ended June 30, 2008 (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 30, 2010

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

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Colfax-Mingo Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$7,204,474 in fiscal 2008 to \$7,874,381 in fiscal 2009, while General Fund expenditures decreased from \$7,531,320 in fiscal 2008 to \$7,447,109 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$262,546 in fiscal 2008 to a balance of \$689,818 in fiscal 2009, a 162.74% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in state and federal sources in fiscal 2009. The decrease in expenditures was due primarily to staff reductions and an effort to reduce expenditures to improve fund balance.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 2.84% for fiscal 2008 to 7.69% for fiscal 2009. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

### **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 custodian 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.

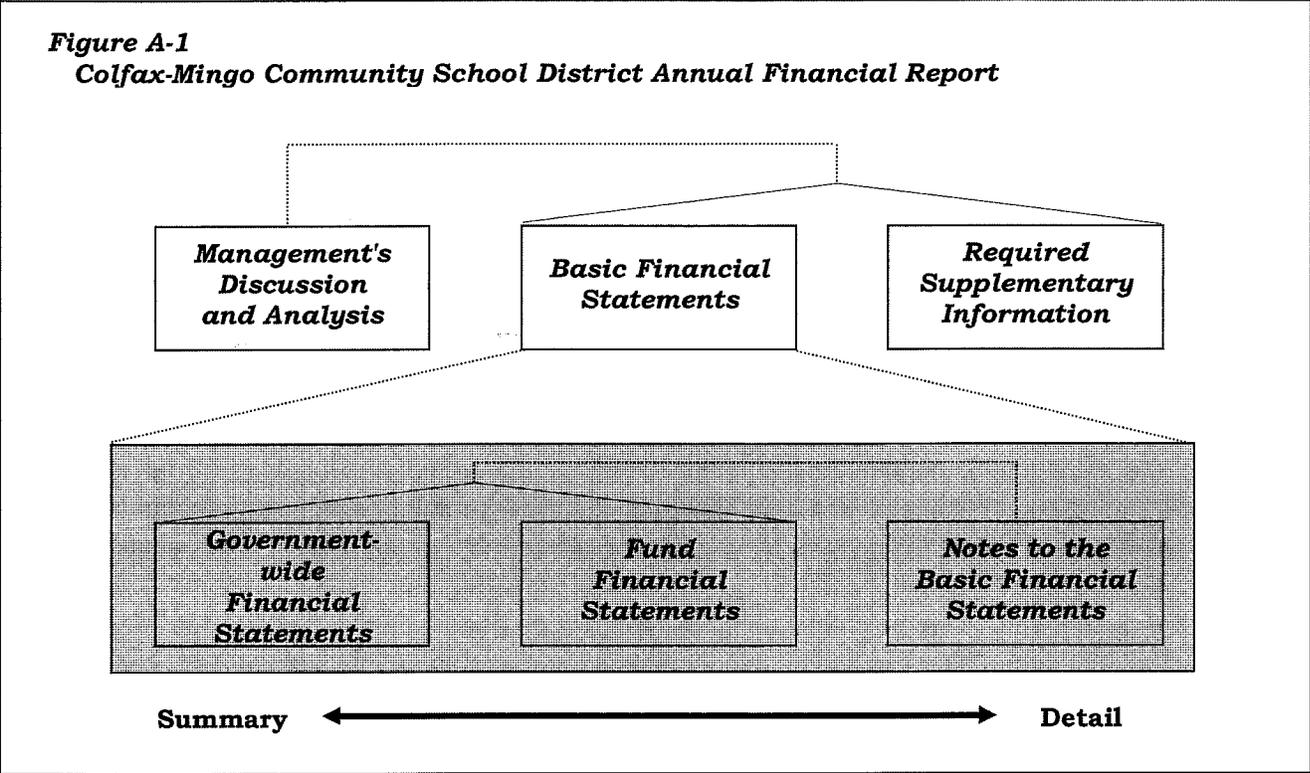


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## **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.

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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, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total Change
	Activities		Activities		School District		
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 7,093,076	5,878,437	(95,174)	(104,275)	6,997,902	5,774,162	21.19%
Capital assets	11,244,565	11,520,551	37,451	48,440	11,282,016	11,568,991	-2.48%
Total assets	18,337,641	17,398,988	(57,723)	(55,835)	18,279,918	17,343,153	5.40%
Long-term liabilities	8,260,616	8,842,458	0	0	8,260,616	8,842,458	-6.58%
Other liabilities	5,451,898	4,746,636	3,062	2,599	5,454,960	4,749,235	14.86%
Total liabilities	13,712,514	13,589,094	3,062	2,599	13,715,576	13,591,693	0.91%
Net assets:							
Invested in capital assets, net of related debt	3,177,988	2,830,455	37,451	48,440	3,215,439	2,878,895	11.69%
Restricted	790,056	718,595	0	0	790,056	718,595	9.94%
Unrestricted	657,083	260,844	(98,236)	(106,874)	558,847	153,970	262.96%
Total net assets	\$ 4,625,127	3,809,894	(60,785)	(58,434)	4,564,342	3,751,460	21.67%

The District's combined net assets increased by 21.67%, or \$812,882, 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 \$71,461, or 9.94% over the prior year. This increase was primarily due to the increase in the Debt Service Fund and the increase in the Management Levy 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 - increased \$404,877, or 262.96%. The increase in unrestricted fund balance is mainly due to the increase in General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 284,361	333,031	215,460	197,887	499,821	530,918	-5.86%
Operating grants and contributions and restricted interest	1,323,614	1,046,394	194,794	180,632	1,518,408	1,227,026	23.75%
Capital grants and contributions and restricted interest	50,605	45,865	0	0	50,605	45,865	10.33%
<b>General revenues:</b>							
Property tax	2,691,266	2,430,940	0	0	2,691,266	2,430,940	10.71%
Income surtax	408,069	258,919	0	0	408,069	258,919	57.60%
Local option sales and services tax	498,301	486,750	0	0	498,301	486,750	2.37%
Unrestricted state grants	3,960,536	3,901,550	0	0	3,960,536	3,901,550	1.51%
Unrestricted investment earnings	73,252	112,303	481	516	73,733	112,819	-34.64%
Other general revenues	40,903	28,419	2,279	0	43,182	28,419	51.95%
Transfers	0	(27,799)	0	27,799	0	0	100.00%
<b>Total revenues</b>	<b>9,330,907</b>	<b>8,616,372</b>	<b>413,014</b>	<b>406,834</b>	<b>9,743,921</b>	<b>9,023,206</b>	<b>7.99%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	5,437,119	5,260,502	0	0	5,437,119	5,260,502	3.36%
Support services	2,072,449	2,255,955	32	1,465	2,072,481	2,257,420	-8.19%
Non-instructional programs	0	0	415,333	398,848	415,333	398,848	4.13%
Other expenses	1,006,106	946,191	0	0	1,006,106	946,191	6.33%
<b>Total expenses</b>	<b>8,515,674</b>	<b>8,462,648</b>	<b>415,365</b>	<b>400,313</b>	<b>8,931,039</b>	<b>8,862,961</b>	<b>0.77%</b>
<b>Changes in net assets</b>	<b>815,233</b>	<b>153,724</b>	<b>(2,351)</b>	<b>6,521</b>	<b>812,882</b>	<b>160,245</b>	<b>407.27%</b>
<b>Beginning net assets</b>	<b>3,809,894</b>	<b>3,656,170</b>	<b>(58,434)</b>	<b>(64,955)</b>	<b>3,751,460</b>	<b>3,591,215</b>	<b>4.46%</b>
<b>Ending net assets</b>	<b>\$ 4,625,127</b>	<b>3,809,894</b>	<b>(60,785)</b>	<b>(58,434)</b>	<b>4,564,342</b>	<b>3,751,460</b>	<b>21.67%</b>

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 81.00% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.33% of the revenue from business type activities.

The District's total revenues were \$9,743,921 of which \$9,330,907 was for governmental activities and \$413,014 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.99% increase in revenues and a 0.77% increase in expenses. Property tax increased \$260,326 and unrestricted state grants increased by \$58,986 to fund expenditures. The increase in expenditures can be attributed to increases in negotiated salaries and benefits as well as increases in program expenditures funded by grants.

## Governmental Activities

Revenues for governmental activities were \$9,330,907 and expenses were \$8,515,674.

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		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 5,437,119	5,260,502	3.36%	4,129,347	4,161,913	-0.78%
Support services	2,072,449	2,255,955	-8.13%	2,069,228	2,253,987	-8.20%
Other expenses	1,006,106	946,191	6.33%	658,519	621,458	5.96%
Totals	\$ 8,515,674	8,462,648	0.63%	6,857,094	7,037,358	-2.56%

- The cost financed by users of the District's programs was \$284,361.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,374,219.
- The net cost of governmental activities was financed with \$2,691,266 in property tax, \$408,069 in income surtax, \$498,301 in statewide sales and services tax, \$3,960,536 in unrestricted state grants, \$73,252 in interest income and \$40,903 in other general revenues.

## Business type Activities

Revenues of the District's business type activities were \$413,014 and expenses were \$415,365. 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 \$1,441,791, above last year's ending fund balance of \$944,841. The primary reason for the increase in combined fund balances can be attributable to the increase in fund balance for the General Fund and Debt Service Fund.

## Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. The increase in revenues was more than the increase in expenditures, thus ensuring the gain in General Fund balance from \$262,546 to \$689,818.
- The Capital Projects Fund balance decreased from \$165,432 at June 30, 2008 to \$146,036 at June 30, 2009 due to all statewide sales tax revenues needing to be transferred to the fiscal agent per the District's revenue bond covenants.
- The Debt Service Fund balance increased from \$388,847 at June 30, 2008 to \$510,603 at June 30, 2009 through normal course of transactions made during the year.

## Proprietary Fund Highlights

The Proprietary Funds net assets decreased from a deficit \$58,434 at June 30, 2008 to a deficit \$60,785 at June 30, 2009, representing a decrease of 4.02%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Colfax Mingo Community School District amended its budget one time to reflect additional expenditures associated with the instruction, non-instructional programs and other expenditures functions.

The District's revenues were \$531,492 more than budgeted revenues, a variance of 5.77%. Other than intermediate sources, the most significant variance resulted from the District receiving more in federal sources than originally anticipated partly because of funds received from the American Recovery and Reinvestment Act.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functions due to the timing of expenditures at year end without sufficient time to amend the certified budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$11,282,016, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.48% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$381,284.

The original cost of the District's capital assets was \$15,369,982. Governmental funds account for \$15,200,661 with the remainder of \$169,321 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$161,956 at June 30, 2009, compared to \$210,482 reported at June 30, 2008. This decrease was caused by depreciation expense taken during the year.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 123,219	123,219	0	0	123,219	123,219	0.00%
Buildings	10,886,859	11,107,227	0	0	10,886,859	11,107,227	-1.98%
Land improvements	109,982	128,063	0	0	109,982	128,063	-14.12%
Machinery and equipment	124,505	162,042	37,451	48,440	161,956	210,482	-23.05%
Total	\$ 11,244,565	11,520,551	37,451	48,440	11,282,016	11,568,991	-2.48%

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## Long-Term Debt

At year-end, the District had \$8,260,616 in general obligation bond, revenue bond and other long-term debt outstanding. This represents a decrease of 6.58% from last years balance of \$8,842,458. (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		Total
	School District		Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 6,240,000	6,525,000	-4.37%
Revenue bonds	1,780,000	2,090,000	-14.83%
Energy loan	0	8,059	-100.00%
Bus lease	31,111	40,454	-23.10%
Lighting loan	13,193	19,113	-30.97%
Van lease	2,273	7,470	-69.57%
Compensated absences	120,813	126,048	-4.15%
Early retirement	73,226	26,314	178.28%
Totals	<u>\$ 8,260,616</u>	<u>8,842,458</u>	<u>-6.58%</u>

The District had \$6,240,000 in general obligation bonds outstanding at June 30, 2009.

The District had \$1,780,000 in revenue bonds outstanding at June 30, 2009.

The District made its last payment on the energy loan payable during fiscal 2009.

The District had a bus lease payable of \$31,111 at June 30, 2009 payable from the Special Revenue, Physical Plant and Equipment Levy Fund.

The District had a lighting loan payable of \$13,193 at June 30, 2009 payable from the Special Revenue, Physical Plant and Equipment Levy Fund.

The District had a van lease payable of \$2,273 at June 30, 2009 payable from the Special Revenue, Physical Plant and Equipment Levy Fund.

The District had compensated absences payable of \$120,813 at June 30, 2009 payable from the General Fund.

The District had early retirement payable of \$73,226 at June 30, 2009 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 decreased 47.1 students for funding of fiscal year 2010. 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.
  - With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.
  - On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase Colfax-Mingo Community Schools' employer benefit costs significantly over the next few years.

### **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, 2009

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 2,031,924	0	2,031,924
Other	1,484,032	12,304	1,496,336
Receivables:			
Property tax:			
Delinquent	50,875	0	50,875
Succeeding year	2,730,348	0	2,730,348
Income surtax	277,281	0	277,281
Interfund	144,218	(144,218)	0
Accounts	6,745	0	6,745
Accrued ISCAP interest	5,695	0	5,695
Due from other governments	361,958	32,801	394,759
Inventories	0	3,939	3,939
Capital assets, net of accumulated depreciation	11,244,565	37,451	11,282,016
<b>TOTAL ASSETS</b>	<b>18,337,641</b>	<b>(57,723)</b>	<b>18,279,918</b>
<b>LIABILITIES</b>			
Accounts payable	99,257	0	99,257
Retainage payable	4,000	0	4,000
Salaries and benefits payable	451,500	0	451,500
ISCAP warrants payable	2,002,000	0	2,002,000
ISCAP accrued interest payable	8,230	0	8,230
ISCAP unamortized premium	33,779	0	33,779
Interest payable	77,894	0	77,894
Deferred revenue:			
Succeeding year property tax	2,730,348	0	2,730,348
Other	44,890	0	44,890
Unearned revenue	0	3,062	3,062
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	290,000	0	290,000
Revenue bond payable	325,000	0	325,000
Bus lease payable	9,839	0	9,839
Lighting loan payable	6,360	0	6,360
Van lease payable	2,273	0	2,273
Compensated absences payable	120,813	0	120,813
Early retirement payable	73,226	0	73,226
Portion due after one year:			
General obligation bonds payable	5,950,000	0	5,950,000
Revenue bond payable	1,455,000	0	1,455,000
Bus lease payable	21,272	0	21,272
Lighting loan payable	6,833	0	6,833
<b>TOTAL LIABILITIES</b>	<b>13,712,514</b>	<b>3,062</b>	<b>13,715,576</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,177,988	37,451	3,215,439
Restricted for:			
Debt service	510,603	0	510,603
Categorical funding	84,290	0	84,290
Physical plant and equipment levy	15,881	0	15,881
Capital projects	146,036	0	146,036
Other special revenue purposes	33,246	0	33,246
Unrestricted	657,083	(98,236)	558,847
<b>TOTAL NET ASSETS</b>	<b>\$ 4,625,127</b>	<b>(60,785)</b>	<b>4,564,342</b>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
<b>Governmental activities:</b>							
<b>Instruction:</b>							
Regular	\$ 3,373,958	161,506	813,949	0	(2,398,503)	0	(2,398,503)
Special	1,034,036	47,692	151,344	0	(835,000)	0	(835,000)
Other	1,029,125	75,115	58,166	0	(895,844)	0	(895,844)
	<u>5,437,119</u>	<u>284,313</u>	<u>1,023,459</u>	<u>0</u>	<u>(4,129,347)</u>	<u>0</u>	<u>(4,129,347)</u>
<b>Support services:</b>							
Student	77,367	0	0	0	(77,367)	0	(77,367)
Instructional staff	109,876	0	0	0	(109,876)	0	(109,876)
Administration	987,809	0	0	0	(987,809)	0	(987,809)
Operation and maintenance of plant	572,912	0	0	0	(572,912)	0	(572,912)
Transportation	324,485	48	3,173	0	(321,264)	0	(321,264)
	<u>2,072,449</u>	<u>48</u>	<u>3,173</u>	<u>0</u>	<u>(2,069,228)</u>	<u>0</u>	<u>(2,069,228)</u>
<b>Other expenditures:</b>							
Facilities and acquisitions	67,054	0	0	50,605	(16,449)	0	(16,449)
Long-term debt interest	352,596	0	0	0	(352,596)	0	(352,596)
AEA flowthrough	296,982	0	296,982	0	0	0	0
Depreciation(unallocated)*	289,474	0	0	0	(289,474)	0	(289,474)
	<u>1,006,106</u>	<u>0</u>	<u>296,982</u>	<u>50,605</u>	<u>(658,519)</u>	<u>0</u>	<u>(658,519)</u>
<b>Total governmental activities</b>	<b>8,515,674</b>	<b>284,361</b>	<b>1,323,614</b>	<b>50,605</b>	<b>(6,857,094)</b>	<b>0</b>	<b>(6,857,094)</b>
<b>Business Type activities:</b>							
<b>Support services:</b>							
Administration	32	0	0	0	0	(32)	(32)
<b>Non-instructional programs:</b>							
Nutrition services	415,333	215,460	194,794	0	0	(5,079)	(5,079)
<b>Total business type activities</b>	<b>415,365</b>	<b>215,460</b>	<b>194,794</b>	<b>0</b>	<b>0</b>	<b>(5,111)</b>	<b>(5,111)</b>
<b>Total</b>	<b>\$ 8,931,039</b>	<b>499,821</b>	<b>1,518,408</b>	<b>50,605</b>	<b>(6,857,094)</b>	<b>(5,111)</b>	<b>(6,862,205)</b>
<b>General Revenues:</b>							
<b>Property tax for:</b>							
General purposes					\$ 2,090,575	0	2,090,575
Debt service					552,722	0	552,722
Capital outlay					47,969	0	47,969
Income surtax					408,069	0	408,069
Statewide sales and services tax					498,301	0	498,301
Unrestricted state grants					3,960,536	0	3,960,536
Unrestricted investment earnings					73,252	481	73,733
Other general revenues					40,903	2,279	43,182
<b>Total general revenues</b>					<u>7,672,327</u>	<u>2,760</u>	<u>7,675,087</u>
<b>Changes in net assets</b>					<u>815,233</u>	<u>(2,351)</u>	<u>812,882</u>
<b>Net assets beginning of year</b>					<u>3,809,894</u>	<u>(58,434)</u>	<u>3,751,460</u>
<b>Net assets end of year</b>					<u>\$ 4,625,127</u>	<u>(60,785)</u>	<u>4,564,342</u>

\* 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, 2009

	General	Debt Service	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP	\$ 2,031,924	0	0	2,031,924
Other	767,988	497,120	218,924	1,484,032
Receivables:				
Property tax:				
Delinquent	33,898	13,483	3,494	50,875
Succeeding year	1,936,847	548,611	244,890	2,730,348
Income surtax	277,281	0	0	277,281
Interfund	237,706	0	3,547	241,253
Accounts	6,617	0	128	6,745
Accrued ISCAP interest	5,695	0	0	5,695
Due from other governments	224,677	0	137,281	361,958
<b>TOTAL ASSETS</b>	<b>\$ 5,522,633</b>	<b>1,059,214</b>	<b>608,264</b>	<b>7,190,111</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 2,543	0	94,492	97,035
Accounts payable	75,745	0	23,512	99,257
Retainage payable	0	0	4,000	4,000
Salaries and benefits payable	451,500	0	0	451,500
ISCAP warrants payable	2,002,000	0	0	2,002,000
ISCAP accrued interest payable	8,230	0	0	8,230
ISCAP unamortized premium	33,779	0	0	33,779
Deferred revenue:				
Succeeding year property tax	1,936,847	548,611	244,890	2,730,348
Income surtax	277,281	0	0	277,281
Other	44,890	0	0	44,890
Total liabilities	4,832,815	548,611	366,894	5,748,320
Fund balances:				
Reserved for:				
Debt service	0	510,603	0	510,603
Categorical funding	84,290	0	0	84,290
Unreserved	605,528	0	241,370	846,898
Total fund balances	689,818	510,603	241,370	1,441,791
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,522,633</b>	<b>1,059,214</b>	<b>608,264</b>	<b>7,190,111</b>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

Total fund balances of governmental funds (page 16)	\$	1,441,791
 <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 the governmental funds.		11,244,565
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		277,281
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.		(77,894)
Long-term liabilities, including general obligation bonds, revenue bonds, 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>(8,260,616)</u>
<b>Net assets of governmental activities (page 14)</b>	<b>\$</b>	<b><u>4,625,127</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Debt Service	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,361,304	552,722	680,411	3,594,437
Tuition	154,858	0	0	154,858
Other	148,650	1,766	192,992	343,408
Intermediate sources	2,411	0	0	2,411
State sources	4,853,158	326	110	4,853,594
Federal sources	353,910	0	25,000	378,910
Total revenues	<u>7,874,291</u>	<u>554,814</u>	<u>898,513</u>	<u>9,327,618</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	3,327,439	0	12,312	3,339,751
Special	1,034,036	0	0	1,034,036
Other	867,603	0	133,027	1,000,630
	<u>5,229,078</u>	<u>0</u>	<u>145,339</u>	<u>5,374,417</u>
Support services:				
Student	77,367	0	0	77,367
Instructional staff	108,583	0	0	108,583
Administration	871,216	0	119,605	990,821
Operation and maintenance of plant	572,151	0	23,354	595,505
Transportation	283,436	0	0	283,436
	<u>1,912,753</u>	<u>0</u>	<u>142,959</u>	<u>2,055,712</u>
Other expenditures:				
Facilities acquisitions	0	0	118,304	118,304
Long-term debt:				
Principal	0	623,519	0	623,519
Interest and fiscal charges	0	361,824	0	361,824
AEA flowthrough	296,982	0	0	296,982
	<u>296,982</u>	<u>985,343</u>	<u>118,304</u>	<u>1,400,629</u>
Total expenditures	<u>7,438,813</u>	<u>985,343</u>	<u>406,602</u>	<u>8,830,758</u>
Excess(Deficiency) of revenues over(under) expenditures	435,478	(430,529)	491,911	496,860
Other financing sources(uses):				
Transfer in	0	552,285	0	552,285
Transfer out	(8,296)	0	(543,989)	(552,285)
Sale of equipment	90	0	0	90
Total other financing sources(uses)	<u>(8,206)</u>	<u>552,285</u>	<u>(543,989)</u>	<u>90</u>
Net change in fund balances	427,272	121,756	(52,078)	496,950
Fund balance beginning of year	262,546	388,847	293,448	944,841
Fund balance end of year	<u>\$ 689,818</u>	<u>510,603</u>	<u>241,370</u>	<u>1,441,791</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2009

**Net change in fund balances - total governmental funds(page 18)** \$ 496,950

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

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

Capital outlays	\$ 94,309	
Depreciation expense	<u>(370,295)</u>	(275,986)

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 are as follows:

Repaid	623,519
--------	---------

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.

9,228

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

3,199

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	\$ 5,235	
Early retirement	<u>(46,912)</u>	<u>(41,677)</u>

**Changes in net assets of governmental activities(page 15)** \$ 815,233

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2009

	<u>School Nutrition</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 12,304
Due from other governments	32,801
Inventories	3,939
Capital assets, net of accumulated depreciation	<u>37,451</u>
<b>TOTAL ASSETS</b>	<u>86,495</u>
<b>LIABILITIES</b>	
Interfund payable	144,218
Unearned revenue	<u>3,062</u>
<b>TOTAL LIABILITIES</b>	<u>147,280</u>
<b>NET ASSETS</b>	
Invested in capital assets	37,451
Unrestricted	<u>(98,236)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ (60,785)</u>

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, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 215,460
Miscellaneous	2,279
TOTAL OPERATING REVENUES	217,739
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	32
Non-instructional programs:	
Food service operations:	
Salaries	135,535
Benefits	51,493
Services	19,904
Supplies	197,412
Depreciation	10,989
Total non-instructional programs	415,333
TOTAL OPERATING EXPENSES	415,365
OPERATING LOSS	(197,626)
NON-OPERATING REVENUES:	
State sources	4,017
Federal sources	190,777
Interest income	481
TOTAL NON-OPERATING REVENUES	195,275
Change in net assets	(2,351)
Net assets beginning of year	(58,434)
Net assets end of year	\$ (60,785)

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 216,039
Cash received from miscellaneous	2,279
Cash payments to employees for services	(187,144)
Cash payments to suppliers for goods or services	(196,011)
Net cash used in operating activities	<u>(164,837)</u>
Cash flows from non-capital financing activities:	
State grants received	4,017
Federal grants received	161,918
Net cash provided by non-capital financing activities	<u>165,935</u>
Cash flows from investing activities:	
Interest on investments	<u>481</u>
Net increase in cash and cash equivalents	1,579
Cash and cash equivalents at beginning of year	<u>10,725</u>
Cash and cash equivalents at end of year	<u>\$ 12,304</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (197,626)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,653
Depreciation	10,989
Decrease in inventories	2,684
Decrease in accounts payable	(116)
Increase in unearned revenue	579
Net cash used in operating activities	<u>\$ (164,837)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received  
 Federal commodities valued at \$18,653.

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
<b>ASSETS</b>		
Cash and pooled investments	\$ 200,631	379
Interest receivable	1,530	0
	<u>202,161</u>	<u>379</u>
<b>LIABILITIES</b>		
Due to other groups	0	379
	<u>0</u>	<u>379</u>
<b>NET ASSETS</b>		
Reserved for scholarships	\$ 202,161	0

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,750
Interest income	7,705
Total additions	<u>9,455</u>
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>1,850</u>
Change in net assets	7,605
Net assets beginning of year	<u>194,556</u>
Net assets end of year	<u>\$ 202,161</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

The District reports the following proprietary fund:

The District's proprietary fund is the School Nutrition Fund. The School 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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, 2009. 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, 2009, expenditures in the non-instructional programs and other expenditures functions exceeded budgeted amounts.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 268,437</u>

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

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

**(3) Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 8,296
Debt Service	Special Revenue, Physical Plant and Equipment Levy	24,381
Debt Service	Capital Projects	519,608
Total		<u>\$ 552,285</u>

The transfer from the General Fund to the Debt Service Fund was needed to pay principal and interest payments for the District's energy loan debt.

The transfer from the Special Revenue, Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments for the District's bus lease, lighting loan and van lease debts.

The transfer from the Capital Projects Fund to the Debt Service Fund was needed to move statewide sales and services tax revenues per revenue bond covenants of the District.

**(4) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General	Management Levy	\$ 92,000
General	School Nutrition	144,218
Student Activity	General	2,543
General	PPEL	1,488
Statewide Sales and Services Tax	Elementary Capital Projects	1,004
Total		<u>\$ 241,253</u>

The Management Levy Fund owes the General Fund for cash borrowed during the year.

School Nutrition Fund owes the General Fund for salaries and benefits paid in fiscal 2007 and fiscal 2008.

The General Fund owes the Student Activity Fund for expenses paid from the wrong account.

The PPEL Fund owes the General Fund for Fire Life Safety grant expenditures that were incorrectly paid from the General Fund.

The Elementary Capital Projects Fund owes the Statewide Sales and Services Tax Fund for ISJIT interest that was received to the wrong fund.

The District is aware that the interfund loans consist of loans made throughout current and prior years. The District also realizes that the interfund loans may take more than one fiscal year to correct in a responsible manner.

**(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, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	6/26/08	6/25/09	\$ 596,551	5,518	589,000	7,746
2009-10A	6/25/09	6/23/10	1,435,373	177	1,413,000	484
Total			<u>\$ 2,031,924</u>	<u>5,695</u>	<u>2,002,000</u>	<u>8,230</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	700,000	700,000	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
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2009 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
Total capital assets not being depreciated	123,219	0	0	123,219
Capital assets being depreciated:				
Buildings	13,613,176	51,025	0	13,664,201
Land improvements	385,435	0	0	385,435
Machinery and equipment	984,522	43,284	0	1,027,806
Total capital assets being depreciated	14,983,133	94,309	0	15,077,442
Less accumulated depreciation for:				
Buildings	2,505,949	271,393	0	2,777,342
Land improvements	257,372	18,081	0	275,453
Machinery and equipment	822,480	80,821	0	903,301
Total accumulated depreciation	3,585,801	370,295	0	3,956,096
Total capital assets being depreciated, net	11,397,332	(275,986)	0	11,121,346
Governmental activities capital assets, net	\$ 11,520,551	(275,986)	0	11,244,565

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 169,760	0	439	169,321
Less accumulated depreciation	121,320	10,989	439	131,870
Business type activities capital assets, net	\$ 48,440	(10,989)	0	37,451

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 11,715
Other		18,905
Support services:		
Instructional staff		1,293
Administration		1,628
Operation and maintenance of plant		7,039
Transportation		40,241
		<u>80,821</u>
Unallocated depreciation		289,474
		<u>370,295</u>
Total governmental activities depreciation expense		\$ 370,295
Business type activities:		
Food service operations		\$ 10,989

**(7) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 6,525,000	0	285,000	6,240,000	290,000
Revenue bonds	2,090,000	0	310,000	1,780,000	325,000
Energy loan	8,059	0	8,059	0	0
Bus lease	40,454	0	9,343	31,111	9,839
Lighting loan	19,113	0	5,920	13,193	6,360
Van lease	7,470	0	5,197	2,273	2,273
Compensated absences	126,048	120,813	126,048	120,813	120,813
Early retirement	26,314	78,648	31,736	73,226	73,226
Total	\$ 8,842,458	199,461	781,303	8,260,616	827,511

General Obligation Bonds Payable

Details of the District's June 30, 2009 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
2010	3.000 % \$	195,000	59,776	3.30 % \$	85,000	160,115
2011	3.125	205,000	53,926	3.30-3.45	85,000	157,310
2012	3.300	205,000	47,520	3.45-3.60	95,000	154,321
2013	3.400	210,000	40,755	3.60-3.85	100,000	150,845
2014	3.500	220,000	33,615	3.85-3.90	100,000	147,057
2015-2019	3.600-3.800	700,000	52,850	3.90-4.20	1,105,000	653,759
2020-2024		-	-	4.20-4.60	2,230,000	284,644
2025		-	-		-	-
Total		\$ 1,735,000	288,442		\$ 3,800,000	1,708,051

Year Ending June 30,	Bond Issue of May 1, 2005			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2010	5.75 % \$	10,000	38,717	\$ 290,000	258,608	548,608
2011	5.75	10,000	38,143	300,000	249,379	549,379
2012	5.75	10,000	37,567	310,000	239,408	549,408
2013	5.75	10,000	36,993	320,000	228,593	548,593
2014	5.75	10,000	36,418	330,000	217,090	547,090
2015-2019	5.75	60,000	174,795	1,865,000	881,404	2,746,404
2020-2024	5.75	75,000	151,718	2,305,000	436,362	2,741,362
2025	5.40	520,000	28,080	520,000	28,080	548,080
Total		\$ 705,000	542,431	\$ 6,240,000	2,538,924	8,778,924

#### Revenue Bonds Payable

Details of the District's June 30, 2009 local option (statewide) 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
2010	4.75-4.80 % \$	325,000	73,892	398,892
2011	4.75	340,000	58,178	398,178
2012	4.00	360,000	42,028	402,028
2013	4.00	370,000	26,690	396,690
2014	4.10	385,000	11,690	396,690
Total		\$ 1,780,000	212,478	1,992,478

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$2,825,000 in bonds issued July 1, 2005. The bonds were issued for the purpose of defraying a portion of the cost of renovations at the school. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is

subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 80 percent of the local option (statewide) sales and service tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,992,478. For the current year \$398,892 in principal and interest was paid on the bonds and total local option (statewide) sales and services tax revenues were \$498,301.

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

- a) All proceeds from the local option (statewide) sales and services tax shall be placed in a Revenue Account.
- b) 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.
- c) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account should be transferred to the Reserve Account to build its balance to \$282,500. The \$282,500 shall be held in the Reserve Account solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account.
- d) Any monies in excess after the required transfers to the Sinking Account and Reserve Account may be transferred to the Project Account to be used for any lawful purpose.

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
2010	4.94	% \$	9,839	1,651	11,490
2011	4.94		10,361	1,129	11,490
2012	4.94		10,911	579	11,490
Total		\$	31,111	3,359	34,470

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
2010	7.12 %	\$ 6,360	981	7,341
2011	7.12	6,833	508	7,341
Total		\$ 13,193	1,489	14,682

#### 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
2010	5.67 %	\$ 2,273	39	2,312

#### 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, 2009 totaled \$31,736. 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 \$73,226.

#### **(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 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$284,319, \$260,706 and \$222,156 respectively, equal to the required contributions for each year.

**(9) Risk Management**

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

District contributions to ISEBA for the year ended June 30, 2009 were \$2,379.

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 \$296,982 for the year ended June 30, 2009 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, 2009, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

**(12) Deficit Unrestricted Net Assets/Fund Balance**

The Enterprise, School Nutrition Fund had a deficit unrestricted net asset balance of \$98,236 at June 30, 2009.

**(13) Operating Lease Obligation**

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

**(14) 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.

(15) **Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Talented and gifted	\$ 21,365
Model core curriculum	11,809
Professional development	48,331
Market factor incentives	2,785
Total	<u>\$ 84,290</u>

REQUIRED SUPPLEMENTARY INFORMATION

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 4,092,703	218,220	4,310,923	4,067,218	4,067,218	243,705
Intermediate sources	2,411	0	2,411	0	0	2,411
State sources	4,853,594	4,017	4,857,611	4,983,422	4,983,422	(125,811)
Federal sources	378,910	190,777	569,687	158,500	158,500	411,187
Total revenues	9,327,618	413,014	9,740,632	9,209,140	9,209,140	531,492
<b>Expenditures/Expenses:</b>						
Instruction	5,374,417	0	5,374,417	4,876,392	5,481,416	106,999
Support services	2,055,712	32	2,055,744	2,359,264	2,359,264	303,520
Non-instructional programs	0	415,333	415,333	337,000	398,000	(17,333)
Other expenditures	1,400,629	0	1,400,629	1,328,071	1,396,373	(4,256)
Total expenditures/expenses	8,830,758	415,365	9,246,123	8,900,727	9,635,053	388,930
Excess(Deficiency) of revenues over(under) expenditures/expenses	496,860	(2,351)	494,509	308,413	(425,913)	920,422
Other financing sources, net	90	0	90	24,444	24,444	(24,354)
Excess(Deficiency) of revenues and and other financing sources over(under) expenditures/expenses	496,950	(2,351)	494,599	332,857	(401,469)	896,068
Balance beginning of year	944,841	(58,434)	886,407	628,929	628,929	257,478
Balance end of year	\$ 1,441,791	(60,785)	1,381,006	961,786	227,460	1,153,546

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

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, 2009, the District adopted one budget amendment increasing budgeted expenditures by \$734,326.

During the year ended June 30, 2009, expenditures in the non-instructional programs and other expenditures functions exceeded budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and pooled investments	\$ 135,883	30,575	14,711	181,169	37,755	218,924
Receivables:						
Property tax:						
Delinquent	2,324	0	1,170	3,494	0	3,494
Succeeding year	195,000	0	49,890	244,890	0	244,890
Interfund	0	2,543	0	2,543	1,004	3,547
Accounts	0	128	0	128	0	128
Due from other governments	0	0	25,000	25,000	112,281	137,281
<b>TOTAL ASSETS</b>	<b>\$ 333,207</b>	<b>33,246</b>	<b>90,771</b>	<b>457,224</b>	<b>151,040</b>	<b>608,264</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Interfund payable	\$ 92,000	0	1,488	93,488	1,004	94,492
Accounts payable	0	0	23,512	23,512	0	23,512
Retainage payable	0	0	0	0	4,000	4,000
Deferred revenue:						
Succeeding year property tax	195,000	0	49,890	244,890	0	244,890
Total liabilities	287,000	0	74,890	361,890	5,004	366,894
Unreserved fund balances	46,207	33,246	15,881	95,334	146,036	241,370
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 333,207</b>	<b>33,246</b>	<b>90,771</b>	<b>457,224</b>	<b>151,040</b>	<b>608,264</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds				Total	
	Manage- ment levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
Revenues:						
Local sources:						
Local tax	\$ 134,141	0	47,969	182,110	498,301	680,411
Other	22,161	139,405	29,515	191,081	1,911	192,992
State sources	82	0	28	110	0	110
Federal sources	0	0	25,000	25,000	0	25,000
Total revenues	156,384	139,405	102,512	398,301	500,212	898,513
Expenditures:						
Current:						
Instruction:						
Regular	12,312	0	0	12,312	0	12,312
Other	0	133,027	0	133,027	0	133,027
Support services:						
Administration	119,605	0	0	119,605	0	119,605
Operation and maintenance of plant	0	0	23,354	23,354	0	23,354
Other expenditures:						
Facilities acquisitions	0	0	118,304	118,304	0	118,304
Total expenditures	131,917	133,027	141,658	406,602	0	406,602
Excess(Deficiency) of revenues over(under) expenditures	24,467	6,378	(39,146)	(8,301)	500,212	491,911
Other financing uses:						
Transfer out	0	0	(24,381)	(24,381)	(519,608)	(543,989)
Net change in fund balances	24,467	6,378	(63,527)	(32,682)	(19,396)	(52,078)
Fund balances beginning of year	21,740	26,868	79,408	128,016	165,432	293,448
Fund balances end of year	\$ 46,207	33,246	15,881	95,334	146,036	241,370

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, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
Fair Concessions	\$ 1,203	2,324	2,527	0	1,000
Student Council	6,502	0	0	(4,000)	2,502
Elementary	(3,275)	10,496	8,409	4,000	2,812
Zoo Trip	25	0	25	0	0
Chorus	(27)	27	0	0	0
Band	203	0	203	0	0
Interest	299	309	0	(608)	0
Cheerleaders	2,962	0	525	0	2,437
Student Council	(2,166)	4,842	1,528	608	1,756
Middle	9,417	14,980	17,999	0	6,398
MS Tag	601	0	601	0	0
Drama	1,106	730	0	0	1,836
Speech	201	650	1,050	0	(199)
Chorus	2,727	398	175	0	2,950
Band	1,825	398	440	0	1,783
Athletics	(27,847)	4,712	1,426	0	(24,561)
Cross Country	(4,819)	821	1,425	5,423	0
Boys Basketball	11,837	3,230	2,975	(10,719)	1,373
Football	20,019	10,317	9,639	(19,082)	1,615
Baseball	(11,886)	8,133	6,795	10,719	171
Boys Track	(6,685)	1,731	2,637	7,591	0
Boys Golf	(2,787)	687	1,375	3,550	75
HS Swimming	3	210	258	45	0
Wrestling	(217)	3,626	2,594	0	815
Girls Basketball	7,772	2,326	1,667	(3,234)	5,197
Volleyball	2,400	2,672	1,236	0	3,836
Softball	3,469	4,812	3,278	0	5,003
Girls Track	(2,502)	1,010	1,742	3,234	0
Girls Golf	(2,312)	396	602	2,518	0
Interest	317	223	0	(540)	0
Cheerleaders	(1,158)	3,551	3,145	407	(345)
Student Council	17,837	3,740	5,010	0	16,567
Student of the Month	(129)	0	0	129	0
Annual	(10,343)	5,593	4,685	1,813	(7,622)
Art Club	81	76	0	0	157
Class of 2006	1,199	0	0	(1,199)	0
Class of 2007	331	0	54	(277)	0
Class of 2008	(1,940)	0	0	1,940	0
Class of 2009	2,318	0	0	(2,318)	0
Class of 2010	(35)	3,718	2,180	0	1,503
Class of 2011	0	65	60	0	5
Class of 2012	119	293	0	0	412
Class of 2013	0	362	0	0	362
FFA	27	9,925	11,347	0	(1,395)
Icons Club	137	0	0	0	137
Business Professionals	1,054	0	200	0	854
HS Book Club	1,502	0	0	0	1,502
Sound Club	1,308	150	0	0	1,458
Spanish Club	2,526	29,338	32,529	0	(665)
Tigerhawk Club	377	0	0	0	377
Wrestling Pep Club	1,770	54	0	0	1,824
ISEC	559	0	0	0	559
Drill Team	963	2,480	2,686	0	757
Total	\$ 26,868	139,405	133,027	0	33,246

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2009

	Capital Project Funds			
	High School Capital Projects	Elementary Capital Projects	Statewide Sales and Services Tax	Total Capital Projects
<b>ASSETS</b>				
Cash and pooled investments	\$ 33,401	4,354	0	37,755
Interfund receivable	0	0	1,004	1,004
Due from other governments	0	0	112,281	112,281
<b>TOTAL ASSETS</b>	<b>\$ 33,401</b>	<b>4,354</b>	<b>113,285</b>	<b>151,040</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 0	1,004	0	1,004
Retainage payable	4,000	0	0	4,000
Total liabilities	4,000	1,004	0	5,004
Fund balances:				
Unreserved:				
Capital projects	29,401	3,350	113,285	146,036
Total fund balances	29,401	3,350	113,285	146,036
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 33,401</b>	<b>4,354</b>	<b>113,285</b>	<b>151,040</b>

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, 2009

	Capital Project Fund			Total
	High School	Elementary	Statewide	
	Capital Projects	Capital Projects	Sales and Services Tax	
REVENUES:				
Local sources:				
Local tax	\$ 0	0	498,301	498,301
Other	871	37	1,003	1,911
Total revenues	871	37	499,304	500,212
EXPENDITURES:	0	0	0	0
Excess of revenues over expenditures	871	37	499,304	500,212
OTHER FINANCING USES:				
Transfer out	0	0	(519,608)	(519,608)
Net change in fund balances	871	37	(20,304)	(19,396)
Fund balances beginning of year	28,530	3,313	133,589	165,432
Fund balances end of year	\$ 29,401	3,350	113,285	146,036

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund				
	Umphress- Schollosser Scholarship	Jennings Scholarship	Tobin Coates Scholarship	Spanish Club Scholarship	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 14,922	2,716	181,184	1,809	200,631
Interest receivable	303	0	1,227	0	1,530
<b>TOTAL ASSETS</b>	<b>15,225</b>	<b>2,716</b>	<b>182,411</b>	<b>1,809</b>	<b>202,161</b>
<b>LIABILITIES</b>	0	0	0	0	0
<b>NET ASSETS</b>					
Reserved for scholarships	\$ 15,225	2,716	182,411	1,809	202,161

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, 2009

	Private Purpose Trust - Scholarship Fund				
	Umphress- Schlosser Scholarship	Jennings Scholarship	Tobin Coates Scholarship	Spanish Club Scholarship	Total
ADDITIONS:					
Local sources:					
Gifts and contributions	\$ 0	0	0	1,750	1,750
Interest income	615	85	7,005	0	7,705
	<u>615</u>	<u>85</u>	<u>7,005</u>	<u>1,750</u>	<u>9,455</u>
DEDUCTIONS:					
Instruction:					
Other instruction:					
Scholarships awarded	100	0	0	1,750	1,850
Changes in net assets	515	85	7,005	0	7,605
Net assets beginning of year	14,710	2,631	175,406	1,809	194,556
Net assets end of year	<u>\$ 15,225</u>	<u>2,716</u>	<u>182,411</u>	<u>1,809</u>	<u>202,161</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, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 946	6,557	7,124	379
Liabilities				
Due to other groups	\$ 946	6,557	7,124	379

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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 3,594,437	3,164,741	3,276,124	3,020,975	2,861,673	2,846,958
Tuition	154,858	172,744	119,091	171,293	163,230	74,551
Other	343,408	369,212	436,926	447,273	391,548	191,329
Intermediate sources	2,411	5,690	2,088	0	0	0
State sources	4,853,594	4,691,460	4,294,204	4,240,763	3,987,537	3,975,253
Federal sources	378,910	228,246	167,700	182,164	171,778	183,185
<b>Total</b>	<b>\$ 9,327,618</b>	<b>8,632,093</b>	<b>8,296,133</b>	<b>8,062,468</b>	<b>7,575,766</b>	<b>7,271,276</b>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 3,339,751	3,219,236	3,044,310	3,063,337	2,876,442	2,842,724
Special	1,034,036	1,061,646	823,207	855,427	1,060,881	996,430
Other	1,000,630	927,978	874,839	872,374	727,393	569,299
Support services:						
Student services	77,367	102,857	99,401	162,948	98,931	126,527
Instructional staff	108,583	136,885	135,260	210,439	108,053	105,617
Administration	990,821	997,008	1,033,717	854,325	850,644	724,529
Operation and maintenance of plant	595,505	668,270	684,346	530,425	544,323	463,843
Transportation	283,436	395,848	321,682	275,014	367,899	303,858
Other	0	0	0	0	0	5,245
Other expenditures:						
Facilities acquisitions	118,304	139,665	1,570,588	6,042,327	895,229	0
Long-term debt:						
Principal	623,519	604,839	601,023	387,865	183,150	162,230
Interest and fiscal charges	361,824	385,912	404,039	496,026	85,512	103,609
AEA flow-through	296,982	278,868	261,144	253,475	248,379	253,884
<b>Total</b>	<b>\$ 8,830,758</b>	<b>8,919,012</b>	<b>9,853,556</b>	<b>14,003,982</b>	<b>8,046,836</b>	<b>6,657,795</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

## **Certified Public Accountants**

(a professional corporation)

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### Independent Auditor's Report on 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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 30, 2010. 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 items I-A-09, I-C-09, I-F-09 and I-L-09 are material weaknesses.

#### 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, 2009 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 30, 2010

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 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 - At the time of this audit, the Fiscal Department included two persons. These two persons received, deposited, posted and reconciled all account activity. Since this audit, a third person has been added to this cycle. Now, one person receives, a second person deposits, and a third person posts receipts to the system. The reconciliation of the accounts is then rotated amongst the three. This should balance cash-handling activity and provide cross-referencing for internal control.

Conclusion - Response accepted.

I-B-09 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 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 capital assets and student lunch account balances. Governmental fixed assets had no adjustments made. There were also no adjustments made for the entire year for the Private Purpose Trust and Agency accounts.

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 - With the addition of the third staff member, student lunch account balances are monitored weekly, so balance adjustments are timely. The Fiscal Department will pursue information from pertinent personnel in order to post to the Trust and Agency

accounts timely. The Fiscal Department has updated the Fixed Assets inventory to current and will calculate depreciation at fiscal year end. The department continues to keep this on an internal excel spreadsheet instead of expending monies to purchase software program and updates.

Conclusion - Response accepted.

- I-C-09 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

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

Response - With the addition of the third staff member, all processes leading to bank reconciliation are done more timely and accurately, resulting in more timely and accurate bank reconciliations. The District also now receives on-line account information, which is used to identify reconciliation items more frequently than monthly.

Conclusion - Response accepted.

- I-D-09 Grants - We noted during our audit that when revenues and expenditures for specific projects were posted, 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 - The Fiscal Department regularly reviews its line-item budget to verify coding of revenues and expenditures. It will utilize the Department of Education's Chart of Accounts test site to further identify coding issues.

Conclusion - Response accepted.

- I-E-09 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however the Student Activity Fund and the General Fund had instances of purchase orders that were completed after the product had been ordered.

Recommendation - The District should review purchase order procedures to ensure that they are completed before the purchase of goods and services.

Response - Some purchases are not conducive to waiting for approval of purchase orders via the web-based system. Most of these purchases occur in the Maintenance and Transportation departments. These are verbally approved by the Superintendent, and purchase orders do follow after the purchase. Most of the Student Activity purchases are processed via the purchase order system. Administration will need to monitor and enforce action for those who do not adhere to the policy.

Conclusion - Response accepted.

I-F-09 Timely and Accurate 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. It was also noted that sometimes receipts were not always being posted to the correct fund or not being posted to the accounting system at all thus creating some of the interfund receivables and payables on Note 4 of the Notes to the Financial Statements on page 32.

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 to assist in the bank reconciliation to assure monies are being deposited in the proper fund, as well as record retention and availability at the time of audit.

Response - With the addition of the third staff member, receipts are posted multiple times a month. The Fiscal Department now receives on-line account information, which is used to identify receipt activity that may need adjusted before month-end.

Conclusion - Response accepted.

I-G-09 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 - Administration has addressed this issue, and significant improvement should be notable.

Conclusion - Response accepted.

I-H-09 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - The Fiscal Department has developed a form for use by qualifying staff. Staff training should occur prior to implementing this.

Conclusion - Response accepted.

I-I-09 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We note that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The District actually maintains multiple layers of receipting from sponsors, to the building office and to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - The Fiscal Department has developed a form to be used. Staff training should occur prior to implementing this.

Conclusion - Response accepted.

- I-J-09 Gate Admissions - We noted during our audit that the District does not utilize pre-numbered tickets for all event admissions. Currently, the District's practice is to use pre-numbered tickets for sporting events only.

Also, during the audit it appeared that ticket takers responsible for cash collections at the gate were not always reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation before giving custody of the change box to the Athletic Director. At times it appeared that the Athletic Director's secretary was the only person reconciling the gate receipts.

Recommendation - The District should use pre-numbered tickets for all events that there is an admission fee charged and reconciliation procedures set up by the District should be required to be performed.

The exchange in custody of the change box from the ticket takers to the Athletic Director with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the Athletic Director or designee responsible for the accounting function at the event.

Response - The District historically uses tickets at sporting events, and has now begun using them at other events such as plays, musicals, etc. The cash boxes are reconciled to the tickets on a form by three individuals before depositing.

Conclusion - Response accepted.

- I-K-09 Agency Fund - During our audit we noted the District utilizes an Agency Fund. According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the District serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or a parent-teacher organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District places certain assets into the custody of the District. The District renders a service, as custodian, for the organization

providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund”.

Currently, the District appears to be accounting for the Post Prom incorrectly.

Recommendation - Management should review the Post Prom account in the Agency Fund and determine how the account should truly be accounted for. Monies accounted for in the Agency Fund should be the property of an entity that has its own federal identification number and would be considered a legally separate entity.

Currently, the District’s Post Prom uses the District’s federal identification number; therefore, it would appear that the funds contained in this account are District’s funds and not those of an outside organization as described above. The transactions for this account should be recorded in the most appropriate fund where standard District policies and procedures should be followed and subjected to the same level of accounting as any other transactions currently recorded in the District’s records.

Response - A responsible party for the Post Prom account was not identified in time this year to allow for them to pursue their own federal identification number. This will be addressed with the appropriate sponsor for this next year.

Conclusion - Response accepted.

I-L-09 School Accounting Software - We noted during our audit that the District’s Board of Directors is receiving a financial statement that includes revenues and expenditures for each fund in the form of an Excel spreadsheet. Expenses and revenues that were on the spreadsheet were not always being posted to the official records on the District’s accounting software (See comment I-F-09). The District does not receive copies of the official records from the District’s Uniform Financial Accounting system because of the lack of posting of all receipts to the system in a timely manner. The District may maintain subsidiary records for District activities, but all official records of the District shall be maintained on the District’s Uniform Financial Accounting system. If subsidiary records are maintained, these records must be reconciled to the official records monthly.

Recommendation - Reconciliations of subsidiary records to the official records should be done monthly. District personnel should receive additional training on how to properly maintain the official records on the District’s Uniform Financial Accounting system. The District’s Uniform Accounting software has the flexibility to download financial statements to spreadsheets for use; however the accounting software should be maintained accurately as the official records of the District.

Response - The Fiscal Department posts and reconciles timely and provides system reports to the Board of Directors.

Conclusion - Response accepted.

I-M-09 Federal Grant Reimbursement Claims - We noted during our audit that free and reduced meal and fruit and vegetable grant claims were not being filed timely by the District. As a result, subsequent funding was not received by the District in a timely manner.

Recommendation - The District should review procedures in place to the filing of grant reimbursement claims. Grant reimbursement claims should be filed in a timely manner to maintain cashflow for the Nutrition Fund.

Response - The Fiscal Department inadvertently missed filing the April claims in May. April's were filed in June along with the May claims. The department will monitor this closely to comply this current fiscal year.

Conclusion - Response accepted.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS  
 YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, exceeded the certified budget amounts in the non-instructional programs and other expenditures 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 - The certified budget was amended, but was not sufficient enough. The District will monitor this in order to comply.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted during our audit that the District wrote checks that were subsequently cashed to purchase gift cards/certificates to give to students as prizes. Gift cards/certificates and Colfax Bux do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - These will be reviewed and converted in order to comply.

Conclusion - Response accepted.

II-C-09 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-09 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	\$97

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-09 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-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

However, the District made transfers from the General, PPEL and Capital Projects Funds to the Debt Service Fund for debt payments throughout the year. The transfers could not be traced to Board approval in the minutes prior to the actual transfers being made.

Recommendation - The District should have the Board of Directors approve all fund transfers prior to the actual transfers being made and document approval and amounts as part of the record in the minutes.

Response - The Board of Directors currently approves transfers as part of the consent items.

Conclusion - Response accepted.

II-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students on Line 1 was overstated by one student.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

II-H-09 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-09 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 District will comply with the Certified Annual Report deadline.

Conclusion - Response accepted.

II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance	\$	0
Statewide sales and services tax revenue		498,301
Expenditures/Transfers out:		
Debt service for school infrastructure:		
Revenue debt		498,301
Ending Balance	\$	<u>0</u>

II-L-09 Financial Condition - We noted during our audit that the School Nutrition Fund had deficit unrestricted net assets of \$98,236 at June 30, 2009. We also noted during our audit that the Special Revenue, Student Activity Fund has six accounts with deficit balances totaling \$34,787.

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 Administration will work closely with these two funds to resolve the current situation or develop a plan towards resolution. The District will form a workout plan to eliminate the deficits in the Student Activity Fund.

Conclusion - Response accepted.

II-M-09 Supporting Documents for Payments to Officials - We noted during the audit that payments were made to athletic officials from the Student Activity Fund, however, there were not always copies of the contracts with the paid bills.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and (athletic) officials should be informed that payment will be made in this manner unless a valid contract exists. Copies of the signed contracts should be supplied to the accounting staff before checks are issued. The signed contract should then be kept with the paid bills.

Response - The District will develop policies and/or procedures to ensure contracts are in place for all officiating personnel, and that those contracts are forwarded to the Fiscal Department as supporting documents for payments.

Conclusion - Response accepted.

II-N-09 Officiating Contracts - We noted during our audit that the Athletic Director or the conference commissioner was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will comply by having the Board President sign these contracts.

Conclusion - Response accepted.

II-O-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>.

Response - The Fiscal Department will determine and take action on outstanding items.

Conclusion - Response accepted.

II-P-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The Fiscal Department has obtained the appropriate form and will have those personnel complete.

Conclusion - Response accepted.

II-Q-09 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:

The District receives money for use of facilities when hosting district and regional events. Currently the District's practice is to receipt rents for hosting district and regional events into the Student Activity Fund. Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage into the General Fund.

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 receipted and expended.

Response - Receipts for hosting district and regional events will be receipted to the General Fund.

Conclusion - Response accepted.

II-R-09 Clothing Purchased for Coaches - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are “public funds” the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - The District will pursue this with the coaches and have the Colfax-Mingo Athletic Boosters purchase the clothing if the practice is to continue.

Conclusion - Response accepted.

II-S-09 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2009, the District has loans between funds as shown in Note 4 that have not been repaid to their respective funds.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District’s year end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District’s Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should issue anticipatory warrants to repay the interfund loans to be in compliance with the declaratory order issued by the Iowa Department of Education to the Auditor of State and Iowa Code Chapter 74.

Response - The District is aware of the declaratory order issued by the Department of Education, but the District feels that with the financial condition of the District and the upcoming 10% cut in funding from the State of Iowa, issuing anticipatory warrants for the General Fund to repay the interfund loans to the Capital Projects Fund and Physical Plant and Equipment Levy Fund would impose unnecessary issuance and origination costs to the District.

Conclusion - Response acknowledged.