

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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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 2009 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>Board of Education (After September 2009 Election)</b>		
Jeff Lietz	President	2011
Don Goodman	Vice President	2011
Mardell Tomlonvic	Board Member	2011
Mike Routh	Board Member	2013
Billie Jo Russell	Board Member	2013
Jeanine Baldwin	Board Member	2013
Diana Mindham	Board Member (Resigned December 2009)	2011
Eric Harmison	Board Member (Appointed December 2009)	2011
<b>School Officials</b>		
Ed Ackerman	Superintendent	2010
Deb Hodgson	District Secretary	2010
Kelly Wilson	District Treasurer	2010
Tom Foley	Attorney	2010



***Colfax-Mingo***  
*community schools*  
**"TIGER-HAWKS"**

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Colfax-Mingo Community School District, Colfax, Iowa as of and for the year ended June 30, 2010, 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, 2010, 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 8, 2011 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 48 are not required parts of the

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basic financial statements, but are supplementary 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 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 six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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 8, 2011

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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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$7,874,381 in fiscal 2009 to \$7,332,280 in fiscal 2010, while General Fund expenditures decreased from \$7,447,109 in fiscal 2009 to \$7,357,342 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$689,818 in fiscal 2009 to a balance of \$664,756 in fiscal 2010, a 3.63% decrease from the prior year.
- The decrease in General Fund revenues was mainly attributable to a decrease in state sources in fiscal 2010 because of the 10% across the board cut by the state in September 2009. The decrease in expenditures was due primarily to staff reductions.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 7.69% for fiscal 2009 to 6.11% for fiscal 2010. 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, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

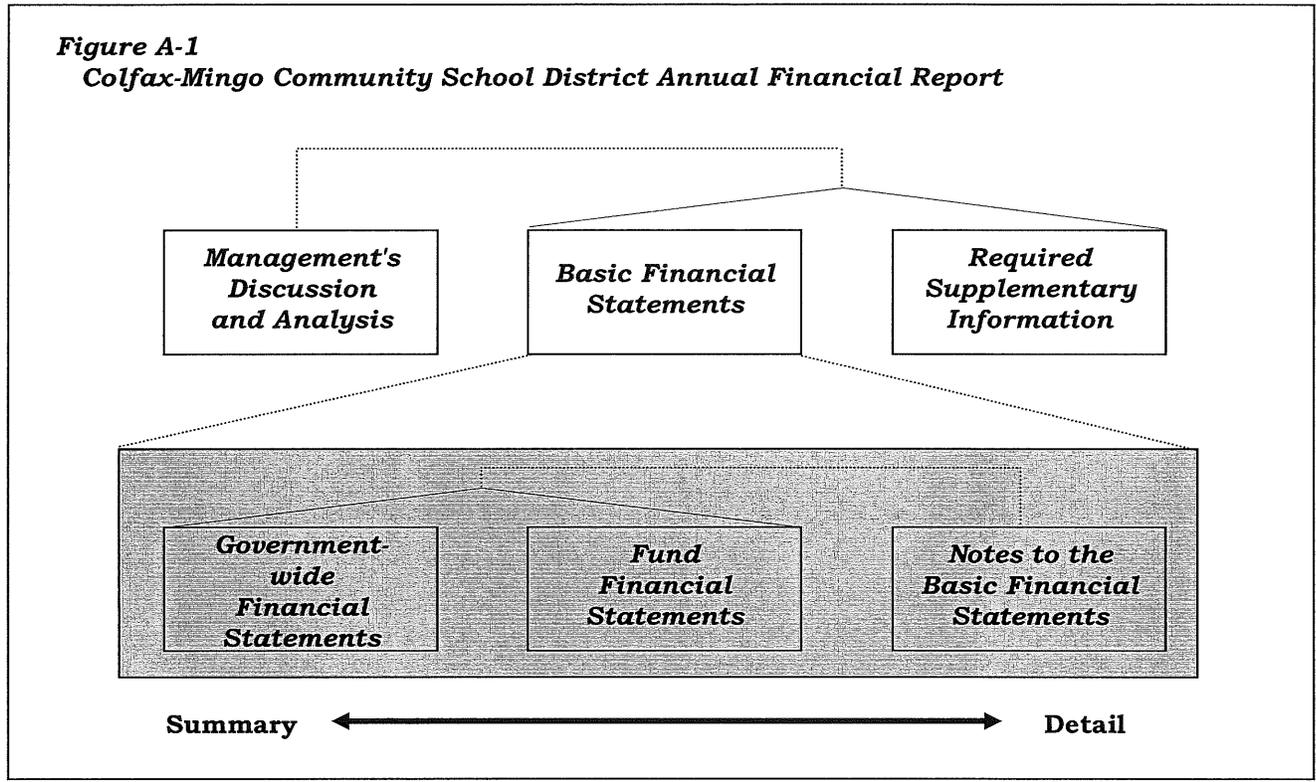


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<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, 2010 compared to June 30, 2009.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 5,543,856	7,093,076	53,840	49,044	5,597,696	7,142,120	-21.62%
Capital assets	11,044,533	11,244,565	28,585	37,451	11,073,118	11,282,016	-1.85%
Total assets	16,588,389	18,337,641	82,425	86,495	16,670,814	18,424,136	-9.52%
Long-term liabilities	7,687,876	8,260,616	1,880	0	7,689,756	8,260,616	-6.91%
Other liabilities	3,817,843	5,451,898	147,063	147,280	3,964,906	5,599,178	-29.19%
Total liabilities	11,505,719	13,712,514	148,943	147,280	11,654,662	13,859,794	-15.91%
Net assets:							
Invested in capital assets, net of related debt	3,541,428	3,177,988	28,585	37,451	3,570,013	3,215,439	11.03%
Restricted	1,050,112	790,056	0	0	1,050,112	790,056	32.92%
Unrestricted	491,130	657,083	(95,103)	(98,236)	396,027	558,847	-29.13%
Total net assets	\$ 5,082,670	4,625,127	(66,518)	(60,785)	5,016,152	4,564,342	9.90%

The District's combined net assets increased by 9.90%, or \$451,810, 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 \$260,056, or 32.92% over the prior year. The increase in restricted net assets is mainly attributable to an increase in the amount of categorical funding carryover as compared to the previous year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$162,820, or 29.13%. The increase in unrestricted fund balance is mainly due to the decrease in General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4  
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 235,613	284,361	202,195	215,460	437,808	499,821	-12.41%
Operating grants and contributions and restricted interest	1,595,348	1,323,614	187,375	194,794	1,782,723	1,518,408	17.41%
Capital grants and contributions and restricted interest	0	50,605	0	0	0	50,605	-100.00%
General revenues:							
Property tax	2,764,647	2,691,266	0	0	2,764,647	2,691,266	2.73%
Income surtax	289,775	408,069	0	0	289,775	408,069	-28.99%
Statewide sales, services and use tax	522,852	498,301	0	0	522,852	498,301	4.93%
Unrestricted state grants	3,294,193	3,960,536	0	0	3,294,193	3,960,536	-16.82%
Unrestricted investment earnings	23,465	73,252	224	481	23,689	73,733	-67.87%
Other general revenues	70,001	40,903	2,498	2,279	72,499	43,182	67.89%
<b>Total revenues</b>	<b>8,795,894</b>	<b>9,330,907</b>	<b>392,292</b>	<b>413,014</b>	<b>9,188,186</b>	<b>9,743,921</b>	<b>-5.70%</b>
Program expenses:							
Governmental activities:							
Instructional	5,213,500	5,437,119	0	0	5,213,500	5,437,119	-4.11%
Support services	2,145,941	2,072,449	37	32	2,145,978	2,072,481	3.55%
Non-instructional programs	0	0	397,988	415,333	397,988	415,333	-4.18%
Other expenses	978,910	1,006,106	0	0	978,910	1,006,106	-2.70%
<b>Total expenses</b>	<b>8,338,351</b>	<b>8,515,674</b>	<b>398,025</b>	<b>415,365</b>	<b>8,736,376</b>	<b>8,931,039</b>	<b>-2.18%</b>
Changes in net assets	457,543	815,233	(5,733)	(2,351)	451,810	812,882	-44.42%
Beginning net assets	4,625,127	3,809,894	(60,785)	(58,434)	4,564,342	3,751,460	21.67%
Ending net assets	\$ 5,082,670	4,625,127	(66,518)	(60,785)	5,016,152	4,564,342	9.90%

In fiscal 2010, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 78.12% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.31% of the revenue from business type activities.

The District's total revenues were \$9,188,186 of which \$8,795,894 was for governmental activities and \$392,292 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.70% decrease in revenues and a 2.18% decrease in expenses. Property tax increased \$73,381 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 \$8,795,894 and expenses were \$8,338,351.

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		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 5,213,500	5,437,119	-4.11%	3,706,848	4,129,347	-10.23%
Support services	2,145,941	2,072,449	3.55%	2,143,121	2,069,228	3.57%
Other expenses	978,910	1,006,106	-2.70%	657,421	658,519	-0.17%
Totals	\$ 8,338,351	8,515,674	-2.08%	6,507,390	6,857,094	-5.10%

- The cost financed by users of the District's programs was \$235,613.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,595,348.
- The net cost of governmental activities was financed with \$2,764,647 in property tax, \$289,775 in income surtax, \$522,852 in statewide sales, services and use tax, \$3,294,193 in unrestricted state grants, \$23,465 in interest income and \$70,001 in other general revenues.

## Business type Activities

Revenues of the District's business type activities were \$392,292 and expenses were \$398,025. 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 \$1,545,087, above last year's ending fund balance of \$1,441,791. The primary reason for the increase in combined fund balances can be attributable to the increase in fund balance for the Physical Plant and Equipment Levy Fund and Debt Service Fund.

## Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. The decrease in revenues was more than the decrease in expenditures, thus ensuring the decline in General Fund balance from \$689,818 to \$664,756.
- The Capital Projects Fund balance decreased from \$146,036 at June 30, 2009 to \$18,381 at June 30, 2010 due to all statewide sales, services and use tax revenues needing to be transferred to the fiscal agent per the District's revenue bond covenants.
- The Debt Service Fund balance increased from \$510,603 at June 30, 2009 to \$755,031 at June 30, 2010 through normal course of transactions made during the year.

## Proprietary Fund Highlights

The Proprietary Funds net assets decreased from a deficit \$60,785 at June 30, 2009 to a deficit \$66,518 at June 30, 2010, representing a decrease of 9.43%. The decrease in net assets can be attributed to the implementation of GASB 45 (Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions) during fiscal 2010. Implementation increased fund expenditures by \$1,880.

## 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, support services and other expenditures functions.

The District's revenues were \$733,226 less than budgeted revenues, a variance of 7.38%. 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.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested \$11,073,118, 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 1.85% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$308,304.

The original cost of the District's capital assets was \$15,469,388. Governmental funds account for \$15,300,067 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 \$196,561 reported at June 30, 2010.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 123,219	123,219	0	0	123,219	123,219	0.00%
Buildings	10,653,244	10,886,859	0	0	10,653,244	10,886,859	-2.15%
Land improvements	100,094	109,982	0	0	100,094	109,982	-8.99%
Machinery and equipment	167,976	124,505	28,585	37,451	196,561	161,956	21.37%
Total	\$ 11,044,533	11,244,565	28,585	37,451	11,073,118	11,282,016	-1.85%

## Long-Term Debt

At year-end, the District had \$7,689,756 in general obligation bond, revenue bond and other long-term debt outstanding. This represents a decrease of 6.91% from last years balance of \$8,260,616. (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

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 6,020,000	6,240,000	0	0	6,020,000	6,240,000	-3.53%
Revenue bonds	1,455,000	1,780,000	0	0	1,455,000	1,780,000	-18.26%
Bus lease	21,272	31,111	0	0	21,272	31,111	-31.63%
Lighting loan	6,833	13,193	0	0	6,833	13,193	-48.21%
Van lease	0	2,273	0	0	0	2,273	-100.00%
Compensated absences	96,550	120,813	0	0	96,550	120,813	-20.08%
Early retirement	46,632	73,226	0	0	46,632	73,226	-36.32%
Net OPEB liability	41,589	0	1,880	0	43,469	0	100.00%
Total	\$ 7,687,876	8,260,616	1,880	0	7,689,756	8,260,616	-6.91%

The District had \$6,020,000 in general obligation bonds outstanding at June 30, 2010.

The District had \$1,455,000 in revenue bonds outstanding at June 30, 2010.

The District had a bus lease payable of \$21,272 at June 30, 2010 payable from the Special Revenue, Physical Plant and Equipment Levy Fund.

The District had a lighting loan payable of \$6,833 at June 30, 2010 payable from the Special Revenue, Physical Plant and Equipment Levy Fund. The final payment for this loan will be during fiscal 2011.

The District had compensated absences payable of \$96,550 at June 30, 2010 payable from the General Fund.

The District had early retirement payable of \$46,632 at June 30, 2010 payable from the Special Revenue, Management Levy Fund.

The District also has a net OPEB liability of \$43,469 at June 30, 2010 due to the implementation of GASB 45.

## 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:

- 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.

- 
- The national recession that has adversely impacted the state of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid (allowable growth) to schools will be based on the condition of the state and national economies. Given the current financial status of the State of Iowa, there is a possibility that the state aid rate will be reduced for the fiscal 2011 year.

### **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, 2010

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,780,624	44,269	1,824,893
Receivables:			
Property tax:			
Delinquent	44,446	0	44,446
Succeeding year	2,981,846	0	2,981,846
Income surtax	269,567	0	269,567
Interfund	144,218	0	144,218
Accounts	135	0	135
Due from other governments	323,020	0	323,020
Inventories	0	9,571	9,571
Capital assets, net of accumulated depreciation	11,044,533	28,585	11,073,118
<b>TOTAL ASSETS</b>	<b>16,588,389</b>	<b>82,425</b>	<b>16,670,814</b>
<b>LIABILITIES</b>			
Interfund payable	0	144,218	144,218
Salaries and benefits payable	476,043	0	476,043
Interest payable	88,641	0	88,641
Deferred revenue:			
Succeeding year property tax	2,981,846	0	2,981,846
Other	271,313	0	271,313
Unearned revenue	0	2,845	2,845
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	315,000	0	315,000
Revenue bond payable	340,000	0	340,000
Bus lease payable	10,361	0	10,361
Lighting loan payable	6,833	0	6,833
Compensated absences payable	96,550	0	96,550
Early retirement payable	46,632	0	46,632
Portion due after one year:			
General obligation bonds payable	5,705,000	0	5,705,000
Revenue bond payable	1,115,000	0	1,115,000
Bus lease payable	10,911	0	10,911
Net OPEB liability	41,589	1,880	43,469
<b>TOTAL LIABILITIES</b>	<b>11,505,719</b>	<b>148,943</b>	<b>11,654,662</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,541,428	28,585	3,570,013
Restricted for:			
Debt service	755,031	0	755,031
Categorical funding	216,413	0	216,413
Management levy	5,602	0	5,602
Physical plant and equipment levy	28,744	0	28,744
Capital projects	18,381	0	18,381
Other special revenue purposes	25,941	0	25,941
Unrestricted	491,130	(95,103)	396,027
<b>TOTAL NET ASSETS</b>	<b>\$ 5,082,670</b>	<b>(66,518)</b>	<b>5,016,152</b>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 3,079,877	180,755	835,349	(2,063,773)	0	(2,063,773)
Special	1,002,875	0	258,950	(743,925)	0	(743,925)
Other	1,130,748	54,142	177,456	(899,150)	0	(899,150)
	<u>5,213,500</u>	<u>234,897</u>	<u>1,271,755</u>	<u>(3,706,848)</u>	<u>0</u>	<u>(3,706,848)</u>
Support services:						
Student	74,950	0	0	(74,950)	0	(74,950)
Instructional staff	103,982	0	0	(103,982)	0	(103,982)
Administration	1,074,154	0	0	(1,074,154)	0	(1,074,154)
Operation and maintenance						
of plant	576,680	0	0	(576,680)	0	(576,680)
Transportation	316,175	716	2,104	(313,355)	0	(313,355)
	<u>2,145,941</u>	<u>716</u>	<u>2,104</u>	<u>(2,143,121)</u>	<u>0</u>	<u>(2,143,121)</u>
Other expenditures:						
Facilities and acquisitions	15,691	0	0	(15,691)	0	(15,691)
Long-term debt interest	366,336	0	0	(366,336)	0	(366,336)
AEA flowthrough	321,489	0	321,489	0	0	0
Depreciation (unallocated)*	275,394	0	0	(275,394)	0	(275,394)
	<u>978,910</u>	<u>0</u>	<u>321,489</u>	<u>(657,421)</u>	<u>0</u>	<u>(657,421)</u>
Total governmental activities	8,338,351	235,613	1,595,348	(6,507,390)	0	(6,507,390)
Business Type activities:						
Support services:						
Administration	37	0	0	0	(37)	(37)
Non-instructional programs:						
Nutrition services	397,988	202,195	187,375	0	(8,418)	(8,418)
Total business type activities	<u>398,025</u>	<u>202,195</u>	<u>187,375</u>	<u>0</u>	<u>(8,455)</u>	<u>(8,455)</u>
Total	\$ 8,736,376	437,808	1,782,723	(6,507,390)	(8,455)	(6,515,845)
<b>General Revenues:</b>						
Property tax for:						
General purposes				\$ 2,166,894	0	2,166,894
Debt service				547,925	0	547,925
Capital outlay				49,828	0	49,828
Income surtax				289,775	0	289,775
Statewide sales, services and use tax				522,852	0	522,852
Unrestricted state grants				3,294,193	0	3,294,193
Unrestricted investment earnings				23,465	224	23,689
Other general revenues				70,001	2,498	72,499
Total general revenues				<u>6,964,933</u>	<u>2,722</u>	<u>6,967,655</u>
Changes in net assets				457,543	(5,733)	451,810
Net assets beginning of year				4,625,127	(60,785)	4,564,342
Net assets end of year				<u>\$ 5,082,670</u>	<u>(66,518)</u>	<u>5,016,152</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, 2010

	General	Debt Service	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,105,779	553,463	121,382	1,780,624
Receivables:				
Property tax:				
Delinquent	29,869	10,659	3,918	44,446
Succeeding year	2,123,296	530,316	328,234	2,981,846
Income surtax	269,567	0	0	269,567
Interfund	144,218	190,909	0	335,127
Accounts	135	0	0	135
Due from other governments	132,111	0	190,909	323,020
<b>TOTAL ASSETS</b>	<b>\$ 3,804,975</b>	<b>1,285,347</b>	<b>644,443</b>	<b>5,734,765</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 0	0	190,909	190,909
Salaries and benefits payable	476,043	0	0	476,043
Deferred revenue:				
Succeeding year property tax	2,123,296	530,316	328,234	2,981,846
Income surtax	269,567	0	0	269,567
Other	271,313	0	0	271,313
Total liabilities	3,140,219	530,316	519,143	4,189,678
Fund balances:				
Reserved for:				
Debt service	0	755,031	0	755,031
Categorical funding	216,413	0	0	216,413
Unreserved	448,343	0	125,300	573,643
Total fund balances	664,756	755,031	125,300	1,545,087
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,804,975</b>	<b>1,285,347</b>	<b>644,443</b>	<b>5,734,765</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, 2010

<b>Total fund balances of governmental funds (page 20)</b>	\$ 1,545,087
 <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.	11,044,533
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	269,567
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.	(88,641)
Long-term liabilities, including general obligation bonds, revenue bonds, bus lease, lighting loan, compensated absences, early retirement and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,687,876)</u>
<b>Net assets of governmental activities (page 18)</b>	<u><u>\$ 5,082,670</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

	General	Debt Service	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,269,633	547,925	767,430	3,584,988
Tuition	134,043	0	0	134,043
Other	99,554	1,845	153,678	255,077
Intermediate sources	10,980	0	0	10,980
State sources	4,178,869	309	141	4,179,319
Federal sources	638,901	0	0	638,901
Total revenues	<u>7,331,980</u>	<u>550,079</u>	<u>921,249</u>	<u>8,803,308</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	3,126,815	0	0	3,126,815
Special	999,148	0	0	999,148
Other	1,034,422	0	125,024	1,159,446
	<u>5,160,385</u>	<u>0</u>	<u>125,024</u>	<u>5,285,409</u>
Support services:				
Student	72,204	0	0	72,204
Instructional staff	101,582	0	0	101,582
Administration	813,980	0	203,521	1,017,501
Operation and maintenance of plant	579,208	0	3,911	583,119
Transportation	308,494	0	0	308,494
	<u>1,875,468</u>	<u>0</u>	<u>207,432</u>	<u>2,082,900</u>
Other expenditures:				
Facilities acquisitions	0	0	47,582	47,582
Long-term debt:				
Principal	0	633,472	0	633,472
Interest and fiscal charges	0	355,589	0	355,589
AEA flowthrough	321,489	0	0	321,489
	<u>321,489</u>	<u>989,061</u>	<u>47,582</u>	<u>1,358,132</u>
Total expenditures	<u>7,357,342</u>	<u>989,061</u>	<u>380,038</u>	<u>8,726,441</u>
Excess (Deficiency) of revenues over (under) expenditures	(25,362)	(438,982)	541,211	76,867
Other financing sources (uses):				
Transfer in	0	657,281	1,000	658,281
Transfer out	0	0	(658,281)	(658,281)
Sale of equipment	300	0	0	300
Refunding bond issuance	0	5,325,000	0	5,325,000
Premium on bond issuance	0	1,019	0	1,019
Accrued interest on bond issuance	0	6,716	0	6,716
Discount on bond issuance	0	(51,606)	0	(51,606)
Payment to escrow agent	0	(5,255,000)	0	(5,255,000)
Total other financing sources (uses)	<u>300</u>	<u>683,410</u>	<u>(657,281)</u>	<u>26,429</u>
Net change in fund balances	(25,062)	244,428	(116,070)	103,296
Fund balance beginning of year	689,818	510,603	241,370	1,441,791
Fund balance end of year	<u>\$ 664,756</u>	<u>755,031</u>	<u>125,300</u>	<u>1,545,087</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, 2010

Net change in fund balances - total governmental funds (page 22) \$ 103,296

*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	\$ 99,406	
Depreciation expense	(299,438)	(200,032)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances and repayments are as follows:

Issued	\$ 5,325,000	
Repaid	(4,761,528)	563,472

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. (10,747)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (7,714)

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	\$ 24,263	
Early retirement	26,594	
Other postemployment benefits	(41,589)	9,268

**Changes in net assets of governmental activities (page 19) \$ 457,543**

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2010

	School Nutrition
<b>ASSETS</b>	
Cash and pooled investments	\$ 44,269
Inventories	9,571
Capital assets, net of accumulated depreciation	28,585
<b>TOTAL ASSETS</b>	82,425
 <b>LIABILITIES</b>	
Interfund payable	144,218
Unearned revenue	2,845
Net OPEB liability	1,880
<b>TOTAL LIABILITIES</b>	148,943
 <b>NET ASSETS</b>	
Invested in capital assets	28,585
Unrestricted	(95,103)
<b>TOTAL NET ASSETS</b>	\$ (66,518)

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, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 202,195
Miscellaneous	2,498
TOTAL OPERATING REVENUES	204,693
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	37
Non-instructional programs:	
Food service operations:	
Salaries	128,208
Benefits	55,174
Services	33,701
Supplies	172,039
Depreciation	8,866
Total non-instructional programs	397,988
TOTAL OPERATING EXPENSES	398,025
OPERATING LOSS	(193,332)
NON-OPERATING REVENUES:	
State sources	3,372
Federal sources	184,003
Interest income	224
TOTAL NON-OPERATING REVENUES	187,599
Change in net assets	(5,733)
Net assets beginning of year	(60,785)
Net assets end of year	\$ (66,518)

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 234,779
Cash received from miscellaneous	2,498
Cash payments to employees for services	(181,502)
Cash payments to suppliers for goods or services	(179,169)
Net cash used in operating activities	(123,394)
Cash flows from non-capital financing activities:	
State grants received	3,372
Federal grants received	151,763
Net cash provided by non-capital financing activities	155,135
Cash flows from investing activities:	
Interest on investments	224
Net increase in cash and cash equivalents	31,965
Cash and cash equivalents at beginning of year	12,304
Cash and cash equivalents at end of year	\$ 44,269
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (193,332)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	32,240
Depreciation	8,866
Increase in inventories	(5,632)
Decrease in accounts receivable	32,801
Decrease in unearned revenue	(217)
Increase in other postemployment benefits	1,880
Net cash used in operating activities	\$ (123,394)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$32,240.

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
<b>ASSETS</b>		
Cash and pooled investments	\$ 200,752	764
Interest receivable	303	0
<b>TOTAL ASSETS</b>	<b>201,055</b>	<b>764</b>
<b>LIABILITIES</b>		
Due to other groups	0	764
<b>NET ASSETS</b>		
Reserved for scholarships	\$ 195,857	0
Unreserved	5,198	0
<b>TOTAL NET ASSETS</b>	<b>201,055</b>	<b>0</b>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 5,694
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>6,800</u>
Deficiency of revenues under expenditures	(1,106)
Other financing sources(uses):	
Transfer in	1,809
Transfer out	<u>(1,809)</u>
Total other financing sources(uses)	<u>0</u>
Change in net assets	(1,106)
Net assets beginning of year	<u>202,161</u>
Net assets end of year	<u>\$ 201,055</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles, 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
Intangibles	25,000
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
Intangibles	5 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, 2010. 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.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$494,378 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, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Physical Plant and Equipment Levy	Management Levy	\$ 1,000
Debt Service	Physical Plant and Equipment Levy	21,144
Debt Service	Statewide Sales, Services and Use Tax	636,137
Tobin-Coates Scholarship	Spanish Club Scholarship	1,809
Total		<u>\$ 658,281</u>

The transfer from the Management Levy Fund to the Special Revenue, Physical Plant and Equipment Levy Fund was needed to repay costs of insurance deductibles that were inadvertently paid from the wrong fund.

The transfer from the 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 indebtedness.

The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed to move statewide sales, services and use tax revenues per revenue bond covenants of the District.

The transfer from the Spanish Club Scholarship Fund to the Tobin-Coates Scholarship Fund was needed to close out the Spanish Club Scholarship account.

**(4) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 144,218
Debt Service	Statewide Sales, Services and Use Tax	190,909
Total		<u>\$ 335,127</u>

School Nutrition Fund owes the General Fund for salaries and benefits from previous years.

The Statewide Sales and Services Tax Fund owes the Debt Service Fund for the amount of sales tax recorded as a receivable on the June 30, 2010 financial statements. Per District bond covenants all sales tax receipts are to be transferred to the Debt Service Fund. As of year end, this transfer had not been made.

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 (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the 2009-10A warrants was 2.50% The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/09	6/23/10	\$ 0	650,000	650,000	0

During the year ended June 30, 2010, the District paid \$9,361 of interest on the ISCAP warrants.

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2010 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	<u>123,219</u>	<u>0</u>	<u>0</u>	<u>123,219</u>
Capital assets being depreciated:				
Buildings	13,664,201	28,007	0	13,692,208
Land improvements	385,435	3,884	0	389,319
Machinery and equipment	1,027,806	67,515	0	1,095,321
Total capital assets being depreciated	<u>15,077,442</u>	<u>99,406</u>	<u>0</u>	<u>15,176,848</u>
Less accumulated depreciation for:				
Buildings	2,777,342	261,622	0	3,038,964
Land improvements	275,453	13,772	0	289,225
Machinery and equipment	903,301	24,044	0	927,345
Total accumulated depreciation	<u>3,956,096</u>	<u>299,438</u>	<u>0</u>	<u>4,255,534</u>
Total capital assets being depreciated, net	<u>11,121,346</u>	<u>(200,032)</u>	<u>0</u>	<u>10,921,314</u>
Governmental activities capital assets, net	<u>\$ 11,244,565</u>	<u>(200,032)</u>	<u>0</u>	<u>11,044,533</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 169,321	0	0	169,321
Less accumulated depreciation	131,870	8,866	0	140,736
Business type activities capital assets, net	<u>\$ 37,451</u>	<u>(8,866)</u>	<u>0</u>	<u>28,585</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 7,618
Other		3,435
Support services:		
Instructional staff		1,040
Administration		448
Operation and maintenance of plant		3,877
Transportation		7,626
		<u>24,044</u>
Unallocated depreciation		<u>275,394</u>
Total governmental activities depreciation expense		<u>\$ 299,438</u>
Business type activities:		
Food service operations		<u>\$ 8,866</u>

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,240,000	5,325,000	5,545,000	6,020,000	315,000
Revenue bonds	1,780,000	0	325,000	1,455,000	340,000
Bus lease	31,111	0	9,839	21,272	10,361
Lighting loan	13,193	0	6,360	6,833	6,833
Van lease	2,273	0	2,273	0	0
Compensated absences	120,813	96,550	120,813	96,550	96,550
Early retirement	73,226	47,208	73,802	46,632	46,632
Net OPEB liability	0	41,589	0	41,589	0
Total	\$ 8,260,616	5,510,347	6,083,087	7,687,876	815,376
Business type activities:					
Net OPEB liability	\$ 0	1,880	0	1,880	0

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2005			Bond Issue of March 1, 2010			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2011	5.75 %	\$ 10,000	38,143	1.00 %	\$ 305,000	176,315	\$ 315,000	214,458	529,458
2012	5.75	10,000	37,567	1.05	330,000	148,078	340,000	185,645	525,645
2013	5.75	10,000	36,993	1.50	335,000	144,613	345,000	181,606	526,606
2014	5.75	10,000	36,418	1.85	340,000	139,588	350,000	176,006	526,006
2015	5.75	10,000	35,843	2.20	350,000	133,298	360,000	169,141	529,141
2016-2020	5.75	65,000	169,725	2.55-3.40	1,900,000	525,418	1,965,000	695,143	2,660,143
2021-2025	5.75	580,000	187,742	3.60-4.10	1,765,000	178,258	2,345,000	366,000	2,711,000
Total		\$ 695,000	542,431		\$ 5,325,000	1,445,568	\$ 6,020,000	1,987,999	8,007,999

Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2005			
	Interest Rates	Principal	Interest	Total
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		\$ 1,455,000	138,586	1,593,586

The District has pledged future statewide sales, services and use 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 statewide sales, services and use 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 statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,593,586. For the current year \$398,892 in principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$522,852.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use 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
2011	4.94 %	\$ 10,361	1,129	11,490
2012	4.94	10,911	579	11,490
Total		\$ 21,272	1,708	22,980

### 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
2011	7.12 %	\$ 6,833	508	7,341

### Early Retirement

In the spring of 2009, the District offered a voluntary early retirement plan to its licensed employees. Eligible employees must have completed twenty 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, 2010 for the early retirement plan offered in spring of 2009 totaled \$73,802. The cost of early retirement payments expected to be liquidated in July 2010 currently are recorded as a liability of the government-wide financial statements representing the District's commitment to fund non-current early retirement of \$46,632.

#### **(8) Advance Refunding**

On March 1, 2010, the District issued \$5,325,000 in general obligation bonds to advance refund \$5,255,000 to call the outstanding general obligation bonds dated June 1, 2003 and November 1, 2004. The new advance refunding bonds have been added to the appropriate financial statements and schedules. The present value savings of this bond refunding is \$228,562.

#### **(9) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 95 active and 4 retired members in the plan. Employees must be age 55 or older at retirement and have twenty or more years of service to the District.

The medical/prescription drug benefit, which is a partial self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 48,981
Interest on net OPEB obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost	48,981
Contributions made	<u>(5,512)</u>
Increase in net OPEB obligation	43,469
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u><u>\$ 43,469</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 48,981	11.25%	\$ 43,469

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$0.323 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.323 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.043 million, and the ratio of the UAAL to the covered payroll was 8.0%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section

following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$357 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) 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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$291,856, \$284,319 and \$260,706 respectively, equal to the required contributions for each year.

**(11) 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, 2010 were \$2,746.

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.

**(12) 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 \$321,489 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

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

The Enterprise, School Nutrition Fund had a deficit unrestricted net asset balance of \$95,103 at June 30, 2010.

**(14) 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.

**(15) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Homeschool assistance program	\$ 13,843
At-risk programs	22,195
Talented and gifted	2,339
Model core curriculum	22,295
Dropout prevention	53,884
Teacher salary supplement	46,010
Professional development	54,205
Market factor incentives	1,642
Total	<u>\$ 216,413</u>



***Colfax-Mingo***  
*community schools*  
**"TIGER-HAWKS"**

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 3,974,108	204,917	4,179,025	4,251,869	4,251,869	(72,844)
Intermediate sources	10,980	0	10,980	6,000	6,000	4,980
State sources	4,179,319	3,372	4,182,691	5,130,957	5,130,957	(948,266)
Federal sources	638,901	184,003	822,904	540,000	540,000	282,904
Total revenues	8,803,308	392,292	9,195,600	9,928,826	9,928,826	(733,226)
<b>Expenditures/Expenses:</b>						
Instruction	5,285,409	0	5,285,409	5,243,941	5,547,941	262,532
Support services	2,082,900	37	2,082,937	2,314,390	2,339,390	256,453
Non-instructional programs	0	397,988	397,988	533,566	533,566	135,578
Other expenditures	1,358,132	0	1,358,132	1,302,291	6,557,291	5,199,159
Total expenditures/expenses	8,726,441	398,025	9,124,466	9,394,188	14,978,188	5,853,722
Excess(Deficiency) of revenues over(under) expenditures/expenses	76,867	(5,733)	71,134	534,638	(5,049,362)	5,120,496
Other financing sources, net	26,429	0	26,429	3,601	3,601	22,828
Excess(Deficiency) of revenues and and other financing sources over(under) expenditures/expenses	103,296	(5,733)	97,563	538,239	(5,045,761)	5,143,324
Balance beginning of year	1,441,791	(60,785)	1,381,006	1,261,260	1,261,260	119,746
Balance end of year	\$ 1,545,087	(66,518)	1,478,569	1,799,499	(3,784,501)	5,263,070

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010

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, 2010, the District adopted one budget amendment increasing budgeted expenditures by \$5,584,000.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 323	\$ 323	0.0%	\$ 4,043	8.0%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2010

	Special Revenue Funds					Total
	Management 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	\$ 49,285	25,941	27,775	103,001	18,381	121,382
Receivables:						
Property tax:						
Delinquent	2,949	0	969	3,918	0	3,918
Succeeding year	275,000	0	53,234	328,234	0	328,234
Due from other governments	0	0	0	0	190,909	190,909
<b>TOTAL ASSETS</b>	<b>\$ 327,234</b>	<b>25,941</b>	<b>81,978</b>	<b>435,153</b>	<b>209,290</b>	<b>644,443</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Interfund payable	\$ 0	0	0	0	190,909	190,909
Deferred revenue:						
Succeeding year property tax	275,000	0	53,234	328,234	0	328,234
Total liabilities	275,000	0	53,234	328,234	190,909	519,143
Unreserved fund balances	52,234	25,941	28,744	106,919	18,381	125,300
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 327,234</b>	<b>25,941</b>	<b>81,978</b>	<b>435,153</b>	<b>209,290</b>	<b>644,443</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, 2010

	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	\$ 194,750	0	49,828	244,578	522,852	767,430
Other	15,685	117,719	18,953	152,357	1,321	153,678
State sources	113	0	28	141	0	141
Total revenues	<u>210,548</u>	<u>117,719</u>	<u>68,809</u>	<u>397,076</u>	<u>524,173</u>	<u>921,249</u>
Expenditures:						
Current:						
Instruction:						
Other	0	125,024	0	125,024	0	125,024
Support services:						
Administration	203,521	0	0	203,521	0	203,521
Operation and maintenance of plant	0	0	3,911	3,911	0	3,911
Other expenditures:						
Facilities acquisitions	0	0	31,891	31,891	15,691	47,582
Total expenditures	<u>203,521</u>	<u>125,024</u>	<u>35,802</u>	<u>364,347</u>	<u>15,691</u>	<u>380,038</u>
Excess (Deficiency) of revenues over (under) expenditures	7,027	(7,305)	33,007	32,729	508,482	541,211
Other financing sources (uses):						
Transfer in	0	0	1,000	1,000	0	1,000
Transfer out	(1,000)	0	(21,144)	(22,144)	(636,137)	(658,281)
Total other financing sources (uses)	<u>(1,000)</u>	<u>0</u>	<u>(20,144)</u>	<u>(21,144)</u>	<u>(636,137)</u>	<u>(657,281)</u>
Net change in fund balances	6,027	(7,305)	12,863	11,585	(127,655)	(116,070)
Fund balances beginning of year	<u>46,207</u>	<u>33,246</u>	<u>15,881</u>	<u>95,334</u>	<u>146,036</u>	<u>241,370</u>
Fund balances end of year	<u>\$ 52,234</u>	<u>25,941</u>	<u>28,744</u>	<u>106,919</u>	<u>18,381</u>	<u>125,300</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
Fair Concessions	\$ 1,000	2,470	2,481	0	989
Elementary Student Council	2,502	0	0	0	2,502
Elementary	2,812	9,343	10,503	0	1,652
Interest	0	167	0	(64)	103
Cheerleaders	2,437	0	0	0	2,437
MS Student Council	1,756	1,145	2,159	0	742
Middle School	6,398	12,375	16,496	0	2,277
Drama	1,836	2,485	200	0	4,121
Speech	(199)	1,011	1,271	459	0
Chorus	2,950	7,876	6,859	0	3,967
Band	1,783	361	0	0	2,144
Athletics	(24,561)	5,437	7,149	0	(26,273)
Cross Country	0	330	1,192	961	99
Boys Basketball	1,373	3,337	2,223	(461)	2,026
Football	1,615	12,777	6,784	(983)	6,625
Baseball	171	6,752	7,819	896	0
Boys Track	0	758	1,741	983	0
Boys Golf	75	1,053	2,304	1,176	0
HS Swimming	0	197	242	45	0
Wrestling	815	1,951	2,186	(45)	535
Girls Basketball	5,197	4,169	2,947	(1,176)	5,243
Volleyball	3,836	2,295	1,069	(961)	4,101
Softball	5,003	3,935	5,989	(896)	2,053
Girls Track	0	378	839	461	0
Girls Golf	0	510	574	64	0
Cheerleaders	(345)	1,472	923	0	204
HS Student Council	16,567	2,786	12,058	(459)	6,836
Annual	(7,622)	5,468	5,596	0	(7,750)
Art Club	157	634	389	0	402
Class of 2010	1,503	704	2,050	0	157
Class of 2011	5	5,277	4,691	0	591
Class of 2012	412	948	18	0	1,342
Class of 2013	362	720	78	0	1,004
Class of 2014	0	350	349	0	1
Class of 2017	0	379	0	0	379
FFA	(1,395)	11,473	11,177	1,099	0
Icons Club	137	0	0	0	137
Business Professionals	854	0	200	0	654
HS Book Club	1,502	0	0	0	1,502
Sound Club	1,458	0	0	0	1,458
Spanish Club	(665)	3,875	2,625	0	585
Tigerhawk Club	377	0	0	0	377
Wrestling Pep Club	1,824	90	0	(1,099)	815
ISEC	559	0	0	0	559
Drill Team	757	2,431	1,843	0	1,345
Total	\$ 33,246	117,719	125,024	0	25,941

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2010

	Capital Project Funds			
	High School Capital Projects	Elementary Capital Projects	Statewide Sales, Service and Use Tax	Total Capital Projects
<b>ASSETS</b>				
Cash and pooled investments	\$ 15,027	3,354	0	18,381
Due from other governments	0	0	190,909	190,909
<b>TOTAL ASSETS</b>	<b>\$ 15,027</b>	<b>3,354</b>	<b>190,909</b>	<b>209,290</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 0	0	190,909	190,909
Total liabilities	0	0	190,909	190,909
Fund balances:				
Unreserved:				
Capital projects	15,027	3,354	0	18,381
Total fund balances	15,027	3,354	0	18,381
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 15,027</b>	<b>3,354</b>	<b>190,909</b>	<b>209,290</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, 2010

	Capital Project Fund			Total
	High School Capital Projects	Elementary Capital Projects	Statewide Sales and Services Tax	
REVENUES:				
Local sources:				
Local tax	\$ 0	0	522,852	522,852
Other	1,317	4	0	1,321
Total revenues	1,317	4	522,852	524,173
EXPENDITURES:				
Other expenditures:				
Facilities acquisitions	15,691	0	0	15,691
Total expenditures	15,691	0	0	15,691
Excess(Deficiency) of revenues over(under) expenditures	(14,374)	4	522,852	508,482
Other financing uses:				
Transfer out	0	0	(636,137)	(636,137)
Net change in fund balances	(14,374)	4	(113,285)	(127,655)
Fund balances beginning of year	29,401	3,350	113,285	146,036
Fund balances end of year	\$ 15,027	3,354	0	18,381

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund			
	Umphress- Schollosser Scholarship	Jennings Scholarship	Tobin Coates Scholarship	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 14,935	2,561	183,256	200,752
Interest receivable	303	0	0	303
<b>TOTAL ASSETS</b>	<b>15,238</b>	<b>2,561</b>	<b>183,256</b>	<b>201,055</b>
<b>LIABILITIES</b>	0	0	0	0
<b>NET ASSETS</b>				
Reserved for scholarships	\$ 13,600	2,315	179,942	195,857
Unreserved	1,638	246	3,314	5,198
<b>TOTAL NET ASSETS</b>	<b>\$ 15,238</b>	<b>2,561</b>	<b>183,256</b>	<b>201,055</b>

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, 2010

	Private Purpose Trust - Scholarship Fund				Total
	Umphress- Schlosser Scholarship	Jennings Scholarship	Tobin Coates Scholarship	Spanish Club Scholarship	
ADDITIONS:					
Local sources:					
Interest income	\$ 613	45	5,036	0	5,694
DEDUCTIONS:					
Instruction:					
Other:					
Scholarships awarded	600	200	6,000	0	6,800
Excess(deficiency) of revenues over(under) expenditures	13	(155)	(964)	0	(1,106)
Other financing sources(uses):					
Transfer in	0	0	1,809	0	1,809
Transfer out	0	0	0	(1,809)	(1,809)
Total other financing sources(uses)	0	0	1,809	(1,809)	0
Changes in net assets	13	(155)	845	(1,809)	(1,106)
Net assets beginning of year	15,225	2,716	182,411	1,809	202,161
Net assets end of year	\$ 15,238	2,561	183,256	0	201,055

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, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 379	8,318	7,933	764
Liabilities				
Due to other groups	\$ 379	8,318	7,933	764

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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 3,584,988	3,594,437	3,164,741	3,276,124	3,020,975	2,861,673	2,846,958
Tuition	134,043	154,858	172,744	119,091	171,293	163,230	74,551
Other	255,077	343,408	369,212	436,926	447,273	391,548	191,329
Intermediate sources	10,980	2,411	5,690	2,088	0	0	0
State sources	4,179,319	4,853,594	4,691,460	4,294,204	4,240,763	3,987,537	3,975,253
Federal sources	638,901	378,910	228,246	167,700	182,164	171,778	183,185
<b>Total</b>	<b>\$ 8,803,308</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	\$ 3,126,815	3,339,751	3,219,236	3,044,310	3,063,337	2,876,442	2,842,724
Special	999,148	1,034,036	1,061,646	823,207	855,427	1,060,881	996,430
Other	1,159,446	1,000,630	927,978	874,839	872,374	727,393	569,299
Support services:							
Student services	72,204	77,367	102,857	99,401	162,948	98,931	126,527
Instructional staff	101,582	108,583	136,885	135,260	210,439	108,053	105,617
Administration	1,017,501	990,821	997,008	1,033,717	854,325	850,644	724,529
Operation and maintenance of plant	583,119	595,505	668,270	684,346	530,425	544,323	463,843
Transportation	308,494	283,436	395,848	321,682	275,014	367,899	303,858
Other	0	0	0	0	0	0	5,245
Other expenditures:							
Facilities acquisitions	47,582	118,304	139,665	1,570,588	6,042,327	895,229	0
Long-term debt:							
Principal	633,472	623,519	604,839	601,023	387,865	183,150	162,230
Interest and fiscal charges	355,589	361,824	385,912	404,039	496,026	85,512	103,609
AEA flow-through	321,489	296,982	278,868	261,144	253,475	248,379	253,884
<b>Total</b>	<b>\$ 8,726,441</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.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 27,612
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	156,391 *
			<u>184,003</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1332-G	87,730
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	6,846
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	24,939
			<u>119,515</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>2,350</u>
PARENTAL INFORMATION AND RESOURCE CENTERS	84.310	FY 09	<u>7,828</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	<u>36,906</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 10	<u>5,233</u>
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>159,039</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 10	46,894
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 09	24,757
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	99,027
			<u>170,678</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>10,003</u>
TOTAL			<u>\$ 695,555</u>

\* Includes \$32,240 of non-cash awards

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Colfax-Mingo Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

(a professional corporation)

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

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 8, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 and II-B-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-10 to be a significant deficiency.

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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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 and Questioned Costs. 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 PC  
NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2011

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

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(a professional corporation)

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Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Colfax-Mingo Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Colfax-Mingo Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Colfax-Mingo Community School District's management. Our responsibility is to express an opinion on Colfax-Mingo Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Colfax-Mingo Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Colfax-Mingo Community School District's compliance with those requirements.

In our opinion, Colfax-Mingo Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Colfax-Mingo Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Colfax-Mingo Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Colfax-Mingo Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Colfax-Mingo Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's response 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2011

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

Clustered

- CFDA Number 10.553 - School Breakfast Program
- CFDA Number 10.555 - National School Lunch Program

Clustered

- CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- CFDA Number 84.389 - Title I - Grants to Local Educational Agencies, Recovery Act

Individual

- CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund(SFSF)  
Education State Grants, (Recovery Act)

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Colfax-Mingo Community School District did not qualify as a low-risk auditee.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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 writing of receipts and preparation of deposit tickets were being performed by the same person. In the Fiscal Department, reconciliations and correcting journal entries, when needed, are performed 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 - Receipting of all monies is done at the building level. Secretaries receive and reconcile monies to system reports, class lists, ticket counts and other supporting documents, and prepare deposit tickets. Deposits are taken to the bank by a separate individual at the building level. All receipts and backup are forwarded to the Fiscal Department for posting to the books. In the Fiscal Department, two persons post receipts weekly to the various accounts. They rotate the accounts on occasion. With online banking, they can view statement activity at any time to reconcile to receipts and payables on a weekly basis. This allows for issues to be identified and corrected more timely. The Business Manager reviews and reconciles the accounts, and makes the necessary journal entries or transfers to finalize balances.

Conclusion - Response accepted.

II-B-10 Receipt Posting - We noted during our audit that tracing receipts to the accounting software system was difficult because receipt numbers are not entered into the system. We noted instances of an employee issuing District's receipts for rent collected on personal rental property.

Recommendation - Support documentation should be made available to support receipts posted to the accounting system. Employees need to refrain from using District receipt books for personal use. Only District collections should be recorded in the District's receipt books.

Response - All buildings will use numbered receipts to allow ease in tracking activity to the books. Supporting documentation will be pursued for all activity. Employees will refrain from using District receipt books for personal use.

Conclusion - Response accepted.

II-C-10 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 - The Post Prom Committee is in the process of obtaining a federal identification number for this account and will be maintaining it separately from the District.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553 - School Breakfast Program  
CFDA Number 10.555 - National School Lunch Program Education  
Federal Award Year: 2010  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I - Grants to Local Educational Agencies  
CFDA Number 84.389 - Title I - Grants to Local Educational Agencies, Recovery Act  
Federal Award Year: 2009 & 2010  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act  
Federal Award Year: 2010  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-10 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 writing of receipts and preparation of deposit tickets were being performed by the same person. In the Fiscal Department, reconciliations and correcting journal entries, when needed, are performed 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 - Receipting of all monies is done at the building level. Secretaries receive and reconcile monies to system reports, class lists, ticket counts and other supporting documents, and prepare deposit tickets. Deposits are taken to the bank by a separate individual at the building level. All receipts and backup are forwarded to the Fiscal Department for posting to the books. In the Fiscal Department, two persons post receipts weekly to the various accounts. They rotate the accounts on occasion. With online banking, they can view statement activity at any time to reconcile to receipts and payables on a weekly basis. This allows for issues to be identified and corrected more timely. The Business Manager reviews and reconciles the accounts, and makes the necessary journal entries or transfers to finalize balances.

Conclusion - Response accepted.

#### Part IV: Other Findings Related to Required Statutory Reporting

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 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.

IV-D-10 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	\$993

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.

IV-E-10 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.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

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

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion- Response accepted.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance	\$	0
Statewide sales, services and use tax revenue		522,852
Expenditures/Transfers out:		
Debt service for school infrastructure:		
Revenue debt		522,852
Ending Balance	\$	<u>0</u>

There were no levy reductions as a result of the statewide sales, services and use tax received during the year ended June 30, 2010.

IV-M-10 Financial Condition - We noted during our audit that the School Nutrition Fund had deficit unrestricted net assets of \$95,103 at June 30, 2010. We also noted during our audit that the Special Revenue, Student Activity Fund has two accounts with deficit balances totaling \$34,023.

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. 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.

IV-N-10 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.

IV-O-10 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), 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 students. Specific examples of questioned items and recommendations are as follows:

**Commissions:** We noted during our audit that Lifetouch picture commissions were being receipted into the Elementary and Middle School accounts.

Recommendation - The General Fund is the only allowable fund for commission revenue recognition. In the future, Lifetouch picture commissions should be receipted to the General Fund.

Response - The Fiscal Department will continue to monitor for deposit corrections during monthly reconciliations.

Conclusion - Response accepted.

**Scholarship Awards:** The Business Professionals and High School Spanish accounts award scholarships from proceeds of fundraising during the year. Also noted was scholarship checks that were written to the student only.

Recommendation - When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund. Scholarship checks should be written to the student and the school/university the student is attending once proof of attendance has been given to the District.

Response - Monies raised from fundraising for scholarships will be receipted and expended from the Private Purpose Trust Fund.

Conclusion - Response accepted.

IV-P-10 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, 2010, the District has a loan between the Nutrition Fund and the General Fund that has not been repaid.

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 possibility of further cuts in funding from the State of Iowa, issuing anticipatory warrants would impose unnecessary issuance and origination costs to the District.

Conclusion - Response acknowledged.