

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

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Colfax-Mingo Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Mardell Tomlonovic	President	2011
Jeanine Baldwin	Vice President	2013
Jeff Lietz	Board Member	2011
Mike Routh	Board Member	2013
Billie Jo Russell	Board Member	2013
Don Goodman	Board Member	2011
Eric Harmison	Board Member	2011
(After September 2011 Election)		
Mardell Tomlonovic	President	2015
Mike Routh	Vice President	2013
Skylar Rawlins	Board Member	2015
Jeanine Baldwin	Board Member	2013
Billie Jo Russell	Board Member	2013
Don Goodman	Board Member	2015
Doug Garrett	Board Member	2015
School Officials		
Marty Lucas	Superintendent	2012
Deb Hodgson	District Secretary/ Treasurer	2012
Ahlers and Cooney, P.C.	Attorney	2012

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

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, 2012, 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, 2012, 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 20, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7

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through 15 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Colfax-Mingo Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,860,879 in fiscal 2011 to \$7,724,525 in fiscal 2012, while General Fund expenditures decreased from \$7,436,537 in fiscal 2011 to \$7,395,249 in fiscal 2012. The District's General Fund balance increased from \$1,089,098 in fiscal 2011 to a balance of \$1,418,374 in fiscal 2012, a 30.23% increase from the prior year.
- The decrease in General Fund revenues was mainly attributable to a decrease in federal sources in fiscal 2012. The decrease in expenditures was due primarily to a decrease in negotiated salaries and benefits.

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.

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.

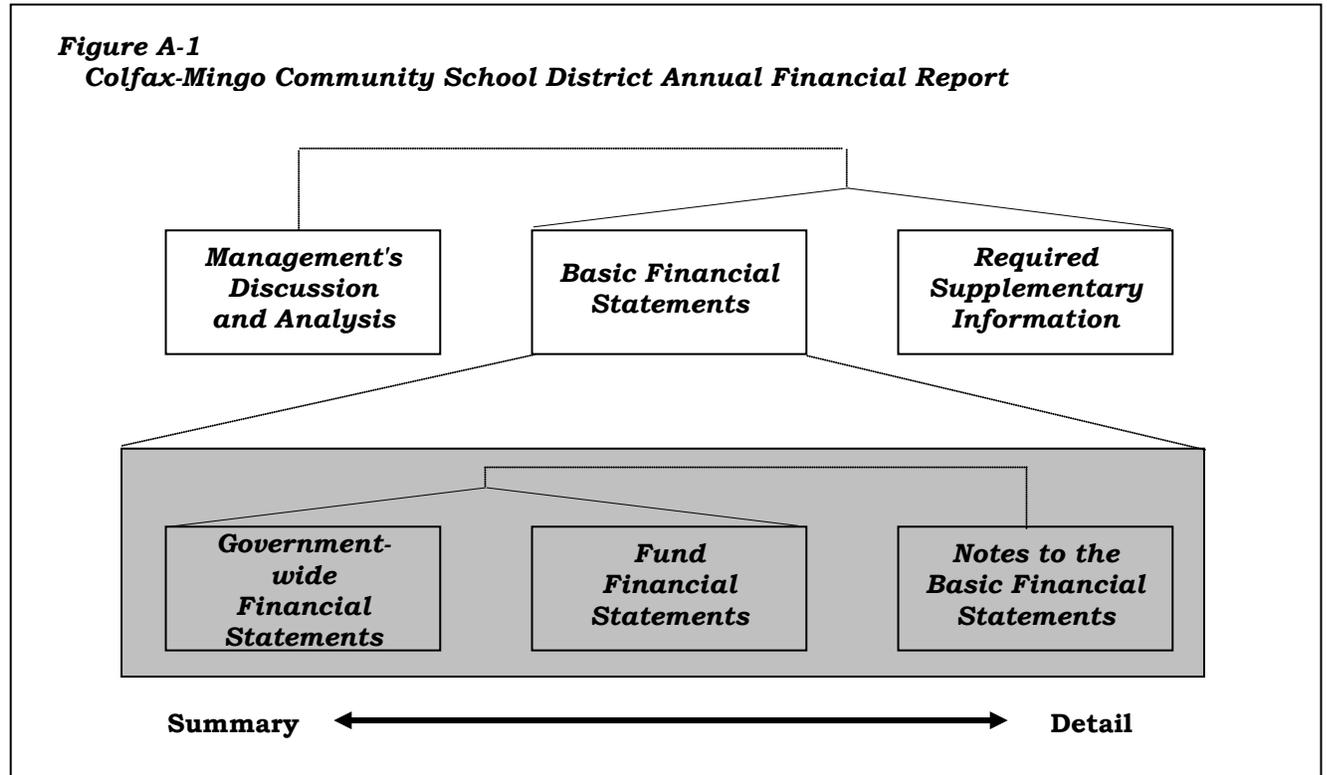


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds includes the Private Purpose Trust Fund and Agency Fund.
 - Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the proprietary funds include a statement of net assets, statement of revenues, expenses and changes in fund 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, 2012 compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 6,583,694	6,145,338	45,276	65,976	6,628,970	6,211,314	6.72%
Capital assets	10,422,306	10,729,918	42,292	25,165	10,464,598	10,755,083	-2.70%
Total assets	17,006,000	16,875,256	87,568	91,141	17,093,568	16,966,397	0.75%
Long-term liabilities	6,424,586	7,021,596	8,471	3,855	6,433,057	7,025,451	-8.43%
Other liabilities	3,510,779	3,795,168	147,910	149,935	3,658,689	3,945,103	-7.26%
Total liabilities	9,935,365	10,816,764	156,381	153,790	10,091,746	10,970,554	-8.01%
Net assets:							
Invested in capital assets, net of related debt	4,302,306	3,899,007	42,292	25,165	4,344,598	3,924,172	10.71%
Restricted	1,725,677	1,421,395	0	0	1,725,677	1,421,395	21.41%
Unrestricted	1,042,652	738,090	(111,105)	(87,814)	931,547	650,276	43.25%
Total net assets	\$ 7,070,635	6,058,492	(68,813)	(62,649)	7,001,822	5,995,843	16.78%

The District's combined net assets increased by 16.78%, or \$1,005,979, 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 \$304,282, or 21.41% over the prior year. The increase in restricted net assets is mainly attributable to an increase in the Debt Service Fund balance.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$281,271, or 43.25%. The increase in unrestricted net assets is mainly due to the increase in General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4
Changes in Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2011-12
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 178,338	255,788	180,482	195,490	358,820	451,278	-20.49%
Operating grants and contributions and restricted interest	823,625	912,768	192,412	187,030	1,016,037	1,099,798	-7.62%
Capital grants and contributions and restricted interest	15,961	84,422	22,415	0	38,376	84,422	-54.54%
General revenues:							
Property tax	2,966,494	2,987,246	0	0	2,966,494	2,987,246	-0.69%
Income surtax	300,938	167,556	0	0	300,938	167,556	79.60%
Statewide sales, services and use tax	599,087	538,931	0	0	599,087	538,931	11.16%
Unrestricted state grants	4,219,157	4,117,072	0	0	4,219,157	4,117,072	2.48%
Nonspecific program federal grants	144,308	336,069	0	0	144,308	336,069	-57.06%
Unrestricted investment earnings	2,227	2,675	60	158	2,287	2,833	-19.27%
Other general revenues	75,276	47,849	3,050	4,584	78,326	52,433	49.38%
Total revenues	9,325,411	9,450,376	398,419	387,262	9,723,830	9,837,638	-1.16%
Program expenses:							
Governmental activities:							
Instructional	5,462,037	5,512,433	0	0	5,462,037	5,512,433	-0.91%
Support services	2,076,356	2,124,648	4,236	10	2,080,592	2,124,658	-2.07%
Non-instructional programs	0	0	400,347	383,383	400,347	383,383	4.42%
Other expenses	774,875	837,473	0	0	774,875	837,473	-7.47%
Total expenses	8,313,268	8,474,554	404,583	383,393	8,717,851	8,857,947	-1.58%
Changes in net assets	1,012,143	975,822	(6,164)	3,869	1,005,979	979,691	2.68%
Net assets beginning of year	6,058,492	5,082,670	(62,649)	(66,518)	5,995,843	5,016,152	19.53%
Net assets end of year	\$ 7,070,635	6,058,492	(68,813)	(62,649)	7,001,822	5,995,843	16.78%

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 86.71% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 93.59% of the revenue from business type activities.

The District's total revenues were \$9,723,830 of which \$9,325,411 was for governmental activities and \$398,419 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.16% decrease in revenues and a 1.58% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$9,325,411 and expenses were \$8,313,268

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
	Instruction	\$ 5,462,037	5,512,433	-0.91%	4,751,926	4,671,825
Support services	2,076,356	2,124,648	-2.27%	2,053,877	2,032,947	1.03%
Other expenses	774,875	837,473	-7.47%	489,541	516,804	-5.28%
Totals	<u>\$ 8,313,268</u>	<u>8,474,554</u>	<u>-1.90%</u>	<u>7,295,344</u>	<u>7,221,576</u>	<u>1.02%</u>

- The cost financed by users of the District’s programs was \$178,338.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$839,586.
- The net cost of governmental activities was financed with \$2,966,494 in property tax, \$300,938 in income surtax, \$599,087 in statewide sales, services and use tax, \$4,219,157 in unrestricted state grants, \$144,308 in nonspecific program federal grants, \$2,227 in interest income and \$75,276 in other general revenues.

Business type Activities

Revenues of the District’s business type activities were \$398,419 and expenses were \$404,583. 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 \$2,809,748, above last year’s ending fund balance of \$2,173,188. The primary reason for the increase in combined fund balances can be attributable to the increase in fund balance for the General Fund and Debt Service Fund.

Governmental Fund Highlights

- The District’s increasing General Fund financial position is the product of many factors. During the year revenues and expenditures decreased by a similar amounts, resulting in an increase in General Fund balance from \$1,089,098 to \$1,418,374.
- The Debt Service Fund balance increased from \$797,030 at June 30, 2011 to \$908,461 at June 30, 2012. This increase was due to transfers from the Capital Projects Fund in excess of payments on the District’s revenue bond indebtedness.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from a deficit \$62,649 at June 30, 2011 to a deficit \$68,813 at June 30, 2012, representing a decrease of 9.84%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$210,428 more than budgeted revenues, a variance of 2.24%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. The District 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.

Over the course of the year, Colfax-Mingo Community School District amended its annual budget one time to reflect additional expenditures in the non-instructional programs functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$10,464,598, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.70% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$326,439.

The original cost of the District's capital assets was \$15,352,673. Governmental funds account for \$15,160,937 with the remainder of \$191,736 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 \$154,014 at June 30, 2011, compared to \$120,507 reported at June 30, 2012. The decrease was primarily the result of depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 123,219	123,219	0	0	123,219	123,219	0.00%
Buildings	10,130,374	10,391,622	0	0	10,130,374	10,391,622	-2.51%
Land improvements	90,498	86,228	0	0	90,498	86,228	4.95%
Machinery and equipment	78,215	128,849	42,292	25,165	120,507	154,014	-21.76%
Total	\$ 10,422,306	10,729,918	42,292	25,165	10,464,598	10,755,083	-2.70%

Long-Term Debt

At year-end, the District had \$6,433,057 in general obligation bond, revenue bond and other long-term debt outstanding. This represents a decrease of 8.33% from last year's balance of \$7,017,283. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 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,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 5,365,000	5,705,000	0	0	5,365,000	5,705,000	-5.96%
Revenue bonds	755,000	1,115,000	0	0	755,000	1,115,000	-32.29%
Bus lease	0	10,911	0	0	0	10,911	-100.00%
Compensated absences	127,376	97,251	1,861	0	129,237	97,251	32.89%
Early retirement	42,638	0	0	0	42,638	0	100.00%
Net OPEB liability	134,572	85,266	6,610	3,855	141,182	89,121	58.42%
Total	\$ 6,424,586	7,013,428	8,471	3,855	6,433,057	7,017,283	-8.33%

The District had \$5,365,000 in general obligation bonds outstanding at June 30, 2012.

The District had \$755,000 in revenue bonds outstanding at June 30, 2012 payable from the Capital Projects: Statewide Sales Services and Use Tax Fund.

The District had compensated absences payable of \$129,237 at June 30, 2012 payable from the General and School Nutrition Funds.

The District had an early retirement benefits payable of \$42,638 at June 30, 2012 payable from the Special Revenue: Management Levy Fund.

The District also has a net OPEB liability of \$141,182 at June 30, 2012.

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.

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, 204 North League Road, Colfax, Iowa, 50054.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,752,628	38,180	2,790,808
Receivables:			
Property tax:			
Delinquent	57,975	0	57,975
Succeeding year	2,876,790	0	2,876,790
Income surtax	308,630	0	308,630
Accounts	15	0	15
Due from other funds	144,218	0	144,218
Due from other governments	443,438	0	443,438
Inventories	0	7,096	7,096
Capital assets, net of accumulated depreciation	10,422,306	42,292	10,464,598
TOTAL ASSETS	17,006,000	87,568	17,093,568
LIABILITIES			
Due to other funds	0	144,218	144,218
Accounts payable	95,637	0	95,637
Salaries and benefits payable	467,172	0	467,172
Interest payable	45,463	0	45,463
Deferred revenue:			
Succeeding year property tax	2,876,790	0	2,876,790
Other	25,717	0	25,717
Unearned revenue	0	3,692	3,692
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	345,000	0	345,000
Revenue bond payable	370,000	0	370,000
Compensated absences payable	127,376	1,861	129,237
Early retirement payable	42,638	0	42,638
Portion due after one year:			
General obligation bonds payable	5,020,000	0	5,020,000
Revenue bond payable	385,000	0	385,000
Net OPEB liability	134,572	6,610	141,182
TOTAL LIABILITIES	9,935,365	156,381	10,091,746
NET ASSETS			
Invested in capital assets, net of related debt	4,302,306	42,292	4,344,598
Restricted for:			
Categorical funding	348,427	0	348,427
Debt service	908,461	0	908,461
Management levy purposes	179,344	0	179,344
Student activities	62,170	0	62,170
School infrastructure	186,812	0	186,812
Physical plant and equipment	40,463	0	40,463
Unrestricted	1,042,652	(111,105)	931,547
TOTAL NET ASSETS	\$ 7,070,635	(68,813)	7,001,822

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
			Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,084,689	135,098	33,760	0	(2,915,831)	0	(2,915,831)
Special	1,124,875	200	167,331	0	(957,344)	0	(957,344)
Other	1,252,473	42,951	330,771	0	(878,751)	0	(878,751)
	<u>5,462,037</u>	<u>178,249</u>	<u>531,862</u>	<u>0</u>	<u>(4,751,926)</u>	<u>0</u>	<u>(4,751,926)</u>
Support services:							
Student	99,965	0	0	0	(99,965)	0	(99,965)
Instructional staff	125,364	0	4,752	0	(120,612)	0	(120,612)
Administration	989,866	0	0	0	(989,866)	0	(989,866)
Operation and maintenance of plant	524,186	0	0	15,961	(508,225)	0	(508,225)
Transportation	336,975	89	1,677	0	(335,209)	0	(335,209)
	<u>2,076,356</u>	<u>89</u>	<u>6,429</u>	<u>15,961</u>	<u>(2,053,877)</u>	<u>0</u>	<u>(2,053,877)</u>
Long-term debt interest	220,829	0	0	0	(220,829)	0	(220,829)
Other expenses:							
AEA flowthrough	285,334	0	285,334	0	0	0	0
Depreciation (unallocated)*	268,712	0	0	0	(268,712)	0	(268,712)
	<u>554,046</u>	<u>0</u>	<u>285,334</u>	<u>0</u>	<u>(268,712)</u>	<u>0</u>	<u>(268,712)</u>
Total governmental activities	8,313,268	178,338	823,625	15,961	(7,295,344)	0	(7,295,344)
Business type activities:							
Support services:							
Operation and maintenance of plant services	4,236	0	0	0	0	(4,236)	(4,236)
Non-instructional programs:							
Nutrition services	400,347	180,482	192,412	22,415	0	(5,038)	(5,038)
Total business type activities	404,583	180,482	192,412	22,415	0	(9,274)	(9,274)
Total	\$ 8,717,851	358,820	1,016,037	38,376	(7,295,344)	(9,274)	(7,304,618)
General Revenues:							
Property tax for:							
General purposes					\$ 2,383,525	0	2,383,525
Debt service					526,969	0	526,969
Capital outlay					56,000	0	56,000
Income surtax					300,938	0	300,938
Statewide sales, services and use tax					599,087	0	599,087
Unrestricted state grants					4,219,157	0	4,219,157
Nonspecific program federal grants					144,308	0	144,308
Unrestricted investment earnings					2,227	60	2,287
Other general revenues					75,276	3,050	78,326
Total general revenues					<u>8,307,487</u>	<u>3,110</u>	<u>8,310,597</u>
Changes in net assets					1,012,143	(6,164)	1,005,979
Net assets beginning of year					6,058,492	(62,649)	5,995,843
Net assets end of year					<u>\$ 7,070,635</u>	<u>(68,813)</u>	<u>7,001,822</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, 2012

	General	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 1,607,985	791,925	352,718	2,752,628
Receivables:				
Property tax:				
Delinquent	42,251	10,705	5,019	57,975
Succeeding year	2,141,828	527,606	207,356	2,876,790
Income surtax	308,630	0	0	308,630
Accounts	15	0	0	15
Due from other funds	144,218	105,831	100,000	350,049
Due from other governments	208,264	0	235,174	443,438
TOTAL ASSETS	\$ 4,453,191	1,436,067	900,267	6,789,525
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 0	0	205,831	205,831
Accounts payable	91,470	0	4,167	95,637
Salaries and benefits payable	467,172	0	0	467,172
Deferred revenue:				
Succeeding year property tax	2,141,828	527,606	207,356	2,876,790
Income surtax	308,630	0	0	308,630
Other	25,717	0	0	25,717
Total liabilities	3,034,817	527,606	417,354	3,979,777
Fund balances:				
Restricted for:				
Categorical funding	348,427	0	0	348,427
Debt service	0	908,461	0	908,461
Management levy purposes	0	0	221,982	221,982
Student activities	0	0	62,170	62,170
School infrastructure	0	0	186,812	186,812
Physical plant and equipment	0	0	40,463	40,463
Unassigned:				
General	1,069,947	0	0	1,069,947
Student activities	0	0	(28,514)	(28,514)
Total fund balances	1,418,374	908,461	482,913	2,809,748
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,453,191	1,436,067	900,267	6,789,525

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, 2012

Total fund balances of governmental funds (page 20)	\$ 2,809,748
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,422,306
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	308,630
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.	(45,463)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, compensated absences, early retirement payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(6,424,586)
Net assets of governmental activities (page 18)	<u><u>\$ 7,070,635</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, 2012

	General	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,406,662	526,969	855,624	3,789,255
Tuition	95,776	0	0	95,776
Other	106,037	108	129,557	235,702
Intermediate sources	2,969	0	0	2,969
State sources	4,654,368	269	134	4,654,771
Federal sources	453,713	0	15,961	469,674
Total revenues	<u>7,719,525</u>	<u>527,346</u>	<u>1,001,276</u>	<u>9,248,147</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,002,165	0	0	3,002,165
Special	1,090,830	0	0	1,090,830
Other	1,138,811	0	105,005	1,243,816
	<u>5,231,806</u>	<u>0</u>	<u>105,005</u>	<u>5,336,811</u>
Support services:				
Student	99,021	0	0	99,021
Instructional staff	115,867	0	0	115,867
Administration	836,573	0	147,304	983,877
Operation and maintenance of plant	502,002	0	0	502,002
Transportation	324,646	0	0	324,646
	<u>1,878,109</u>	<u>0</u>	<u>147,304</u>	<u>2,025,413</u>
Capital outlay	0	0	28,368	28,368
Long-term debt:				
Principal	0	710,911	0	710,911
Interest and fiscal charges	0	229,750	0	229,750
	<u>0</u>	<u>940,661</u>	<u>0</u>	<u>940,661</u>
Other expenditures:				
AEA flowthrough	285,334	0	0	285,334
Total expenditures	<u>7,395,249</u>	<u>940,661</u>	<u>280,677</u>	<u>8,616,587</u>
Excess (Deficiency) of revenues over (under) expenditures	324,276	(413,315)	720,599	631,560
Other financing sources (uses):				
Transfer in	0	524,746	342	525,088
Transfer out	0	0	(525,088)	(525,088)
Sale of capital assets	5,000	0	0	5,000
Total other financing sources (uses)	<u>5,000</u>	<u>524,746</u>	<u>(524,746)</u>	<u>5,000</u>
Net change in fund balances	329,276	111,431	195,853	636,560
Fund balance beginning of year	<u>1,089,098</u>	<u>797,030</u>	<u>287,060</u>	<u>2,173,188</u>
Fund balance end of year	<u>\$ 1,418,374</u>	<u>908,461</u>	<u>482,913</u>	<u>2,809,748</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
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds (page 22)	\$	636,560
 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 not reported in the Statement of Activities 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	\$ 13,539	
Depreciation expense	<u>(321,151)</u>	(307,612)
 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.		
		710,911
 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.		
		8,921
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		77,264
 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	(21,957)	
Early retirement	(42,638)	
Other postemployment benefits	<u>(49,306)</u>	<u>(113,901)</u>
 Changes in net assets of governmental activities (page 19)	 \$	 <u><u>1,012,143</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	School Nutrition
ASSETS	
Cash and pooled investments	\$ 38,180
Inventories	7,096
Capital assets, net of accumulated depreciation	42,292
TOTAL ASSETS	87,568
 LIABILITIES	
Interfund payable	144,218
Unearned revenue	3,692
Compensated absences	1,861
Net OPEB liability	6,610
TOTAL LIABILITIES	156,381
 NET ASSETS	
Invested in capital assets	42,292
Unrestricted	(111,105)
TOTAL NET ASSETS	\$ (68,813)

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 180,482
Miscellaneous	3,050
TOTAL OPERATING REVENUES	183,532
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant services:	
Services	4,236
Non-instructional programs:	
Food service operations:	
Salaries	134,537
Benefits	66,002
Services	17,382
Supplies	176,479
Other	659
Depreciation	5,288
Total non-instructional programs	400,347
TOTAL OPERATING EXPENSES	404,583
OPERATING LOSS	(221,051)
NON-OPERATING REVENUES:	
State sources	3,246
Federal sources	189,166
Interest income	60
TOTAL NON-OPERATING REVENUES	192,472
Change in net assets before capital contributions	(28,579)
Capital contributions	22,415
Change in net assets	(6,164)
Net assets beginning of year	(62,649)
Net assets end of year	\$ (68,813)

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 181,264
Cash received from miscellaneous	3,050
Cash payments to employees for services	(198,730)
Cash payments to suppliers for goods or services	(171,542)
Net cash used in operating activities	(185,958)
Cash flows from non-capital financing activities:	
State grants received	3,246
Federal grants received	164,504
Net cash provided by non-capital financing activities	167,750
Cash flows from investing activities:	
Interest on investments	60
Net decrease in cash and cash equivalents	(18,148)
Cash and cash equivalents at beginning of year	56,328
Cash and cash equivalents at end of year	\$ 38,180
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (221,051)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	24,662
Depreciation	5,288
Decrease in inventories	2,552
Decrease in salaries and benefits payable	(2,807)
Increase in unearned revenue	782
Increase in compensated absences payable	1,861
Increase in other postemployment benefits	2,755
Net cash used in operating activities	\$ (185,958)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$24,662.

During the year ended June 30, 2012, the Nutrition Fund received capital contributions from the Capital Projects: Physical Plant and Equipment Levy Fund of \$22,415.

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 213,411	809
Interest receivable	312	0
TOTAL ASSETS	213,723	809
LIABILITIES		
Due to other groups	0	809
NET ASSETS		
Restricted for scholarships	210,813	0
Unrestricted	2,910	0
TOTAL NET ASSETS	\$ 213,723	0

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Contributions	\$ 400
Interest	6,333
Total additions	<u>6,733</u>
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>100</u>
Change in net assets	6,633
Net assets beginning of year	<u>207,090</u>
Net assets end of year	<u><u>\$ 213,723</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(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. Combining schedules are also included for the Capital Project Fund accounts.

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 property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following nonmajor 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - restricted and then unassigned fund balances.

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
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, 2012. 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$712,985 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was both rated AAA by Standard & Poor's Financial Services.

(3) Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 513,257
Debt Service	Capital Projects: Physical Plant and Equipment Levy	11,489
Capital Projects: High School Capital Projects	Capital Projects: Elementary Capital Projects	342
Total		\$ 525,088

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments for the District's bus lease and lighting lease.

The transfer from the Capital Projects: 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 Capital Projects: Elementary Capital Projects Fund to the Capital Projects: High School Capital Projects Fund was needed to close out the Capital Projects: Elementary Capital Projects Fund.

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
	Capital Projects:	
Debt service	Statewide Sales, Services and Use Tax	\$ 105,831
Capital Projects:	Capital Projects:	
Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	100,000
General	School Nutrition	144,218
Total		\$ 350,049

The Capital Projects: 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, 2012 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 Capital Projects: Physical Plant and Equipment Levy Fund owes the Capital Projects: Statewide Sales and Services Tax Fund for Federal Emergency Management Agency grant receipted into the Capital Projects: Physical Plant and Equipment Levy Fund.

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

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

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 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	13,692,208	0	0	13,692,208
Land improvements	389,319	11,734	0	401,053
Machinery and equipment	1,066,533	1,805	123,881	944,457
Total capital assets being depreciated	<u>15,148,060</u>	<u>13,539</u>	<u>123,881</u>	<u>15,037,718</u>
Less accumulated depreciation for:				
Buildings	3,300,586	261,248	0	3,561,834
Land improvements	303,091	7,464	0	310,555
Machinery and equipment	937,684	52,439	123,881	866,242
Total accumulated depreciation	<u>4,541,361</u>	<u>321,151</u>	<u>123,881</u>	<u>4,738,631</u>
Total capital assets being depreciated, net	<u>10,606,699</u>	<u>(307,612)</u>	<u>0</u>	<u>10,299,087</u>
Governmental activities capital assets, net	<u>\$ 10,729,918</u>	<u>(307,612)</u>	<u>0</u>	<u>10,422,306</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 169,321	22,415	0	191,736
Less accumulated depreciation	144,156	5,288	0	149,444
Business type activities capital assets, net	<u>\$ 25,165</u>	<u>17,127</u>	<u>0</u>	<u>42,292</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 18,799
Other		6,434
Support services:		
Instructional staff		9,487
Operation and maintenance of plant		5,517
Transportation		12,202
		<u>52,439</u>
Unallocated depreciation		<u>268,712</u>
Total governmental activities depreciation expense		<u>\$ 321,151</u>
Business type activities:		
Food service operations		<u>\$ 5,288</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,705,000	0	340,000	5,365,000	345,000
Revenue bonds	1,115,000	0	360,000	755,000	370,000
Bus lease	10,911	0	10,911	0	0
Compensated absences	97,251	127,376	97,251	127,376	127,376
Early retirement	0	42,638	0	42,638	42,638
Net OPEB liability	85,266	49,306	0	134,572	0
Total	\$ 7,013,428	219,320	808,162	6,424,586	885,014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Compensated absences	\$ 0	1,861	0	1,861	1,861
Net OPEB liability	3,855	2,755	0	6,610	0
Total	\$ 3,855	4,616	0	8,471	1,861

General Obligation Bonds Payable

Details of the District's June 30, 2012 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
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	5.75	10,000	35,268	2.55	355,000	125,597	365,000	160,865	525,865
2017	5.75	10,000	34,692	2.80	370,000	116,545	380,000	151,237	531,237
2018-2022	5.75	75,000	161,962	3.00-3.80	2,025,000	405,405	2,100,000	567,367	2,667,367
2023-2025	5.40-5.75	550,000	86,829	4.00-4.10	915,000	56,130	1,465,000	142,959	1,607,959
Total		\$ 675,000	428,005		\$ 4,690,000	1,121,176	\$ 5,365,000	1,549,181	6,914,181

Revenue Bonds Payable

Details of the District's June 30, 2012 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
2013	4.00 %	\$ 370,000	26,690	396,690
2014	4.10	385,000	11,690	396,690
Total		\$ 755,000	38,380	793,380

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 high 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 January 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 66 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$793,380. For the current year \$360,000 in principal and \$42,028 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$599,088.

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.

Early Retirement

In the year, 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 and \$45 per sick days accrued up to 110 days. The District's early retirement liability as of June 30, 2012, totaled \$42,638.

(7) Other Postemployment Benefits (OPEB)

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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 57,422
Interest on net OPEB obligation	2,228
Adjustment to annual required contribution	<u>(4,608)</u>
Annual OPEB cost	55,042
Contributions made	<u>(2,981)</u>
Increase in net OPEB obligation	52,061
Net OPEB obligation beginning of year	<u>89,121</u>
Net OPEB obligation end of year	<u><u>\$ 141,182</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, 2012.

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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 48,981	11.25	% \$ 43,469
2011	50,205	9.07	89,121
2012	55,042	5.42	141,182

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$0.319 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.319 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.368 million, and the ratio of the UAAL to the covered payroll was 7.3%. As of June 30, 2012, 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.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$352,564, \$302,136, and \$291,856 respectively, equal to the required contributions for each year.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides dental coverage for District employees. District contributions to ISEBA for the year ended June 30, 2012 were \$32,243.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$285,334 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Unassigned Fund Balance and Unrestricted Net Assets

The Special Revenue: Student Activity Fund had a deficit unassigned fund balance of \$28,514 at June 30, 2012. The Enterprise, School Nutrition Fund had a deficit unrestricted net asset balance of \$111,105 at June 30, 2012 and total deficit net assets of \$68,813.

(12) 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.

(13) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Statewide voluntary preschool	\$ 124,770
At-risk programs	41,030
Model core curriculum	34,398
Dropout and dropout prevention	55,769
Gifted and talented	11,165
Professional development	79,940
Market factor incentives	1,355
Total	<u>\$ 348,427</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,120,733	183,592	4,304,325	4,228,173	4,228,173	76,152
Intermediate sources	2,969	0	2,969	0	0	2,969
State sources	4,654,771	3,246	4,658,017	4,714,050	4,714,050	(56,033)
Federal sources	469,674	189,166	658,840	471,500	471,500	187,340
Total revenues	9,248,147	376,004	9,624,151	9,413,723	9,413,723	210,428
Expenditures/Expenses:						
Instruction	5,336,811	0	5,336,811	5,993,283	5,993,283	656,472
Support services	2,025,413	4,236	2,029,649	2,154,860	2,154,860	125,211
Non-instructional programs	0	400,347	400,347	389,200	400,850	503
Other expenditures	1,254,363	0	1,254,363	1,270,819	1,270,819	16,456
Total expenditures/expenses	8,616,587	404,583	9,021,170	9,808,162	9,819,812	798,642
Excess(Deficiency) of revenues over(under) expenditures/expenses	631,560	(28,579)	602,981	(394,439)	(406,089)	1,009,070
Other financing sources, net	5,000	22,415	27,415	0	0	27,415
Excess(Deficiency) of revenues and and other financing sources over(under) expenditures/expenses	636,560	(6,164)	630,396	(394,439)	(406,089)	1,036,485
Balance beginning of year	2,173,188	(62,649)	2,110,539	1,481,838	1,481,838	628,701
Balance end of year	\$ 2,809,748	(68,813)	2,740,935	1,087,399	1,075,749	1,665,186

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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, the District adopted one budget amendment, increasing budget expenditures by \$11,650.

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 (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 323	\$ 323	0.0 %	\$ 4,043	8.0 %
2011	July 1, 2009	-	326	326	0.0	3,698	8.7
2012	July 1, 2009	-	319	319	0.0	4,369	7.3

See Note 7 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue			Capital Projects	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue Funds		
ASSETS					
Cash and pooled investments	\$ 218,101	37,823	255,924	96,794	352,718
Receivables:					
Property tax:					
Delinquent	3,881	0	3,881	1,138	5,019
Succeeding year	150,000	0	150,000	57,356	207,356
Due from other funds	0	0	0	100,000	100,000
Due from other governments	0	0	0	235,174	235,174
TOTAL ASSETS	\$ 371,982	37,823	409,805	490,462	900,267
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 0	0	0	205,831	205,831
Accounts payable	0	4,167	4,167	0	4,167
Deferred revenue:					
Succeeding year property tax	150,000	0	150,000	57,356	207,356
Total liabilities	150,000	4,167	154,167	263,187	417,354
Restricted for:					
Management levy purposes	221,982	0	221,982	0	221,982
Student activities	0	62,170	62,170	0	62,170
School infrastructure	0	0	0	186,812	186,812
Physical plant and equipment	0	0	0	40,463	40,463
Unassigned	0	(28,514)	(28,514)	0	(28,514)
Total fund balances	221,982	33,656	255,638	227,275	482,913
TOTAL LIABILITIES AND FUND BALANCES	\$ 371,982	37,823	409,805	490,462	900,267

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, 2012

	Special Revenue			Total	
	Manage- ment levy	Student Activity	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
Revenues:					
Local sources:					
Local tax	\$ 200,537	0	200,537	655,087	855,624
Other	15,451	114,060	129,511	46	129,557
State sources	105	0	105	29	134
Federal sources	0	0	0	15,961	15,961
Total revenues	216,093	114,060	330,153	671,123	1,001,276
Expenditures:					
Current:					
Instruction:					
Other	0	105,005	105,005	0	105,005
Support services:					
Administration	147,304	0	147,304	0	147,304
Capital outlay	0	0	0	28,368	28,368
Total expenditures	147,304	105,005	252,309	28,368	280,677
Excess of revenues over expenditures	68,789	9,055	77,844	642,755	720,599
Other financing sources(uses):					
Transfer in	0	0	0	342	342
Transfer out	0	0	0	(525,088)	(525,088)
Total other financing sources(uses)	0	0	0	(524,746)	(524,746)
Net change in fund balances	68,789	9,055	77,844	118,009	195,853
Fund balances beginning of year	153,193	24,601	177,794	109,266	287,060
Fund balances end of year	\$ 221,982	33,656	255,638	227,275	482,913

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects			Total
	High School Capital Projects	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	
ASSETS				
Cash and pooled investments	\$ 982	0	95,812	96,794
Receivables:				
Property tax:				
Delinquent	0	0	1,138	1,138
Succeeding year	0	0	57,356	57,356
Due from other funds	0	100,000	0	100,000
Due from other governments	0	191,661	43,513	235,174
TOTAL ASSETS	\$ 982	291,661	197,819	490,462
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 0	105,831	100,000	205,831
Deferred revenue:				
Succeeding year property tax	0	0	57,356	57,356
Total liabilities	0	105,831	157,356	263,187
Fund balances:				
Restricted:				
School infrastructure	982	185,830	0	186,812
Physical plant and equipment	0	0	40,463	40,463
Total fund balances	982	185,830	40,463	227,275
TOTAL LIABILITIES AND FUND BALANCES	\$ 982	291,661	197,819	490,462

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects				Total
	High School Capital Projects	Elementary Capital Projects	Statewide Sales and Services Tax	Physical Plant and Equipment Levy	
REVENUES:					
Local sources:					
Local tax	\$ 0	0	599,087	56,000	655,087
Other	2	0	0	44	46
State sources	0	0	0	29	29
Federal sources	0	0	0	15,961	15,961
Total revenues	<u>2</u>	<u>0</u>	<u>599,087</u>	<u>72,034</u>	<u>671,123</u>
EXPENDITURES:					
Capital outlay	<u>11,208</u>	<u>0</u>	<u>0</u>	<u>17,160</u>	<u>28,368</u>
Excess(Deficiency) of revenues over(under) expenditures	(11,206)	0	599,087	54,874	642,755
Other financing sources(uses):					
Transfer in	342	0	0	0	342
Transfers out	0	(342)	(513,257)	(11,489)	(525,088)
Total other financing sources(uses)	<u>342</u>	<u>(342)</u>	<u>(513,257)</u>	<u>(11,489)</u>	<u>(524,746)</u>
Net change in fund balances	(10,864)	(342)	85,830	43,385	118,009
Fund balances beginning of year	<u>11,846</u>	<u>342</u>	<u>100,000</u>	<u>(2,922)</u>	<u>109,266</u>
Fund balances end of year	<u>\$ 982</u>	<u>0</u>	<u>185,830</u>	<u>40,463</u>	<u>227,275</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, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
Fair Concessions	\$ 1,369	1,762	3,262	0	(131)
Elementary Student Council	2,502	0	0	0	2,502
Elementary	2,091	7,281	6,523	0	2,849
Interest	0	26	0	(26)	0
MS Cheerleaders	2,317	0	0	(996)	1,321
MS Student Council	1,204	2,606	3,295	0	515
Middle Activity	220	6,971	9,572	1,022	(1,359)
HS Drama	4,121	0	52	0	4,069
HS Speech	200	1,132	1,109	0	223
HS Chorus	6,159	3,294	1,763	(92)	7,598
HS Band	1,057	0	0	92	1,149
Athletics	(26,734)	5,719	6,009	0	(27,024)
Cross Country	0	796	796	0	0
Boys Basketball	0	3,916	2,909	0	1,007
Football	2,209	14,196	6,338	(2,823)	7,244
Baseball	1,478	4,703	4,425	0	1,756
Boys Track	0	107	925	818	0
Boys Golf	0	936	1,134	198	0
HS Swimming	13	32	564	519	0
Wrestling	4	4,772	3,160	0	1,616
Girls Basketball	4,496	3,870	6,654	0	1,712
Volleyball	4,669	2,142	1,892	(546)	4,373
Softball	2,807	4,563	5,265	0	2,105
Girls Track	0	120	666	546	0
Girls Golf	0	695	1,173	478	0
Interest	0	39	0	(39)	0
HS Cheerleaders	0	4,060	2,748	0	1,312
HS Student Council	6,814	2,917	5,047	(105)	4,579
Annual	(3,330)	6,390	4,014	954	0
Art Club	146	0	27	0	119
Class of 2012	1,476	640	105	0	2,011
Class of 2013	2,775	3,850	5,756	0	869
Class of 2014	743	360	145	0	958
Class of 2015	0	340	0	0	340
Class of 2016	0	400	205	0	195
Class of 2017	379	0	0	0	379
FFA	622	15,202	12,778	0	3,046
Business Professionals	654	0	0	0	654
Sound Club	1,355	0	0	0	1,355
Spanish Club	140	4,990	2,463	0	2,667
Wrestling Pep Club	0	52	0	0	52
Drill Team	2,645	5,181	4,231	0	3,595
Total	\$ 24,601	114,060	105,005	0	33,656

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund			
	Umphress- Schollosser Scholarship	Jennings Scholarship	Tobin Coates Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 16,579	2,423	194,409	213,411
Interest receivable	312	0	0	312
TOTAL ASSETS	16,891	2,423	194,409	213,723
LIABILITIES	0	0	0	0
NET ASSETS				
Restricted for scholarships	14,000	2,404	194,409	210,813
Unrestricted	2,891	19	0	2,910
TOTAL NET ASSETS	\$ 16,891	2,423	194,409	213,723

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, 2012

	Private Purpose Trust - Scholarship Fund			
	Umphress- Schlosser Scholarship	Jennings Scholarship	Tobin Coates Scholarship	Total
ADDITIONS:				
Local sources:				
Contributions	400	0	0	400
Interest	\$ 627	24	5,682	6,333
	<u>1,027</u>	<u>24</u>	<u>5,682</u>	<u>6,733</u>
DEDUCTIONS:				
Instruction:				
Other:				
Scholarships awarded	0	100	0	100
Changes in net assets	1,027	(76)	5,682	6,633
Net assets beginning of year	<u>15,864</u>	<u>2,499</u>	<u>188,727</u>	<u>207,090</u>
Net assets end of year	<u>\$ 16,891</u>	<u>2,423</u>	<u>194,409</u>	<u>213,723</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 507	302	0	809
Liabilities				
Due to other groups	\$ 507	302	0	809

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,789,255	3,731,934	3,584,988	3,594,437	3,164,741	3,276,124	3,020,975	2,861,673	2,846,958
Tuition	95,776	143,637	134,043	154,858	172,744	119,091	171,293	163,230	74,551
Other	235,702	218,762	255,077	343,408	369,212	436,926	447,273	391,548	191,329
Intermediate sources	2,969	11,000	10,980	2,411	5,690	2,088	0	0	0
State sources	4,654,771	4,624,384	4,179,319	4,853,594	4,691,460	4,294,204	4,240,763	3,987,537	3,975,253
Federal sources	469,674	758,860	638,901	378,910	228,246	167,700	182,164	171,778	183,185
Total	\$ 9,248,147	9,488,577	8,803,308	9,327,618	8,632,093	8,296,133	8,062,468	7,575,766	7,271,276
Expenditures:									
Current:									
Instruction:									
Regular	\$ 3,002,165	3,108,660	3,126,815	3,339,751	3,219,236	3,044,310	3,063,337	2,876,442	2,842,724
Special	1,090,830	1,092,652	999,148	1,034,036	1,061,646	823,207	855,427	1,060,881	996,430
Other	1,243,816	1,256,247	1,159,446	1,000,630	927,978	874,839	872,374	727,393	569,299
Support services:									
Student	99,021	91,613	72,204	77,367	102,857	99,401	162,948	98,931	126,527
Instructional staff	115,867	75,841	101,582	108,583	136,885	135,260	210,439	108,053	105,617
Administration	983,877	885,941	1,017,501	990,821	997,008	1,033,717	854,325	850,644	724,529
Operation and maintenance									
of plant	502,002	595,279	583,119	595,505	668,270	684,346	530,425	544,323	463,843
Transportation	324,646	335,540	308,494	283,436	395,848	321,682	275,014	367,899	303,858
Other	0	0	0	0	0	0	0	0	5,245
Capital outlay	28,368	150,267	47,582	118,304	139,665	1,570,588	6,042,327	895,229	0
Long-term debt:									
Principal	710,911	672,194	633,472	623,519	604,839	601,023	387,865	183,150	162,230
Interest and fiscal charges	229,750	275,573	355,589	361,824	385,912	404,039	496,026	85,512	103,609
Other expenditures:									
AEA flow-through	285,334	320,669	321,489	296,982	278,868	261,144	253,475	248,379	253,884
Total	\$ 8,616,587	8,860,476	8,726,441	8,830,758	8,919,012	9,853,556	14,003,982	8,046,836	6,657,795

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

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 12	\$ 32,463
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	156,703 *
			<u>189,166</u>
U.S. DEPARTMENT OF THE INTERIOR:			
IOWA DEPARTMENT OF NATURAL RESOURCES:			
SPORT FISH RESTORATION PROGRAM	15.605	FY 12	<u>500</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1332-G	<u>87,384</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (CHARACTER EDUCATION)	84.215	FY 12	<u>1,505</u>
PARENTAL INFORMATION AND RESOURCE CENTERS	84.310	FY 12	<u>2,114</u>
ENHANCING TECHNOLOGY STATE GRANTS	84.318	FY 12	<u>3,900</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 12	<u>30,314</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 12	<u>4,752</u>
EDUCATION JOBS FUND	84.410	FY 11	141,929
EDUCATION JOBS FUND	84.410	FY 12	<u>2,379</u>
			<u>144,308</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
	84.027	FY 12	<u>40,630</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 12	<u>11,605</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
IOWA DEPARTMENT OF HOMELAND SECURITY			
PUBLIC ASSISTANCE GRANTS (FEMA DISASTER ASSISTANCE)	97.036	FY 12	<u>15,961</u>
TOTAL			<u>\$ 532,139</u>

* - Includes \$24,662 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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Colfax-Mingo Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 20, 2013. 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

The management of Colfax-Mingo Community School District is responsible for establishing and maintaining effective 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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 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-B-12 to be a significant deficiency.

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, 2012 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, P.C.

March 20, 2013

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

Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and 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 could have a direct and material effect on each of Colfax-Mingo Community School District's major federal programs for the year ended June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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.

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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-12 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 20, 2013

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were 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
 - Individual
 - CFDA Number 84.410 - Education Jobs Fund
- (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, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person. In the Fiscal Department, reconciliations and correcting journal entries, when needed, are performed by the same person. We also noted that one individual has the ability to modify pay rates, process the payroll and generate payroll checks and direct deposits.

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

Response - The District has hired another person in the Fiscal Department and will work to disburse duties to provide segregation.

Conclusion - Response accepted.

II-B-12 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 District will pursue another entity to oversee the Post Prom account with their own federal identification number.

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: 2012
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2011 and 2012
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-12 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. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person. In the Fiscal Department, reconciliations and correcting journal entries, when needed, are performed by the same person. We also noted that one individual has the ability to modify pay rates, process the payroll and generate payroll checks and direct deposits.

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

Response - The District has hired another person in the Fiscal Department and will work to disburse duties to provide segregation.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-12 Certified Budget - District disbursements for the year ended June 30, 2012 did not exceed the amount budgeted.

IV-B-12 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-12 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-12 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported as resident students was overstated by 1.0 student.

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

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

Conclusion - Response accepted.

IV-H-12 Supplementary Weighting - We noted during our audit that a course offered during fiscal year 2011, which the District included on supplementary weighting count should have in fact not been counted as it was short of accreditation. This results in an adjustment to the supplementary weighting of -0.28.

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

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

Conclusion - Response accepted.

IV-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-12 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

Beginning balance	\$ 100,000
Revenues:	
Sales tax revenues	599,087
Expenditures/transfers out:	
Transfers to other funds:	
Debt service fund	<u>513,257</u>
Ending balance	<u>\$ 185,830</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

IV-M-12 Financial Condition - We noted during our audit that the School Nutrition Fund had deficit unrestricted net assets of \$111,105 and deficit total net assets of \$68,813 at June 30, 2012. We also noted during our audit that the Special Revenue, Student Activity Fund has a deficit unassigned fund balance of \$28,514.

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 District will develop a plan to control expenditures to make the program profitable. Activity programs with profit will contribute to the deficit until it is eliminated.

Conclusion - Response accepted.

IV-N-12 Checks Outstanding - We noted during our audit that the District had checks included in the General, School Nutrition and Student Activity Fund 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 1st.

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

Conclusion - Response accepted.

IV-O-12 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, 2012, the District has a loan between the Nutrition Fund and the General Fund and between the Capital Projects: Physical Plant and Equipment Levy and the Capital Projects: Statewide Sales, Services and Use Tax that have not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2009, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1st 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 external loans to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should issue external debt 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 will develop a plan to control expenditures to make the Nutrition program profitable and begin repayment of the deficit.

The District borrowed from Capital Projects to fund a FEMA project in the Physical Plant and Equipment Levy (PEEL) fund in 2010-11. The FEMA project was complete as of January 31, 2013, and the District anticipates final FEMA payment by June 30, 2014. The District can now begin repayment of the interfund loan from PEEL to CP as cash flow allows beginning the 2012-13 fiscal year and completed by the end of the 2013-14 fiscal year.

Conclusion - Response acknowledged.