

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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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 2013 Election)

| | | |
|--------------------|----------------|------|
| Mike Routh | President | 2013 |
| Skylar Rawlins | Vice President | 2013 |
| Mardell Tomlonovic | Board Member | 2015 |
| Jeanine Baldwin | Board Member | 2013 |
| Billie Jo Russell | Board Member | 2013 |
| Don Goodman | Board Member | 2015 |
| Doug Garrett | Board Member | 2015 |

(After September 2013 Election)

| | | |
|--------------------|----------------|------|
| Don Goodman | President | 2015 |
| Skylar Rawlins | Vice President | 2017 |
| Doug Garrett | Board Member | 2015 |
| Jan Myers | Board Member | 2015 |
| Mardell Tomlonovic | Board Member | 2015 |
| Dr. Rebecca Maher | Board Member | 2017 |
| Billie Jo Russell | Board Member | 2017 |

School Officials

| | | |
|-------------------------|----------------------------------|------|
| Marty Lucas | Superintendent | 2014 |
| Deb Hodgson | District Secretary/ Treasurer | 2014 |
| Ahlers and Cooney, P.C. | Attorney | 2014 |

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:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by arrangement, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. accepted accounting principles require Managements' Discussion Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement 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 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 inquires 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2014 on our consideration of Colfax-Mingo Community School District's internal control over financial reporting and on 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 in considering Colfax-Mingo Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

December 30, 2014
Newton, Iowa

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,488,883 in fiscal year 2013 to \$7,253,211 in fiscal year 2014, while General Fund expenditures increased from \$7,292,460 in fiscal year 2013 to \$7,435,684 in fiscal year 2014. The District's General Fund balance decreased from \$1,614,797 at the end of fiscal 2013 to a \$1,432,324 at the end of fiscal 2014, an 11.30% decrease.
- General fund revenues decreased from the prior year due in part to a decrease in local tax revenues received during fiscal year 2014. The increase in expenditures was due primarily to an increase in regular instruction costs as compared to the prior year.

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 Position 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 financial 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 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 governmental funds.

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

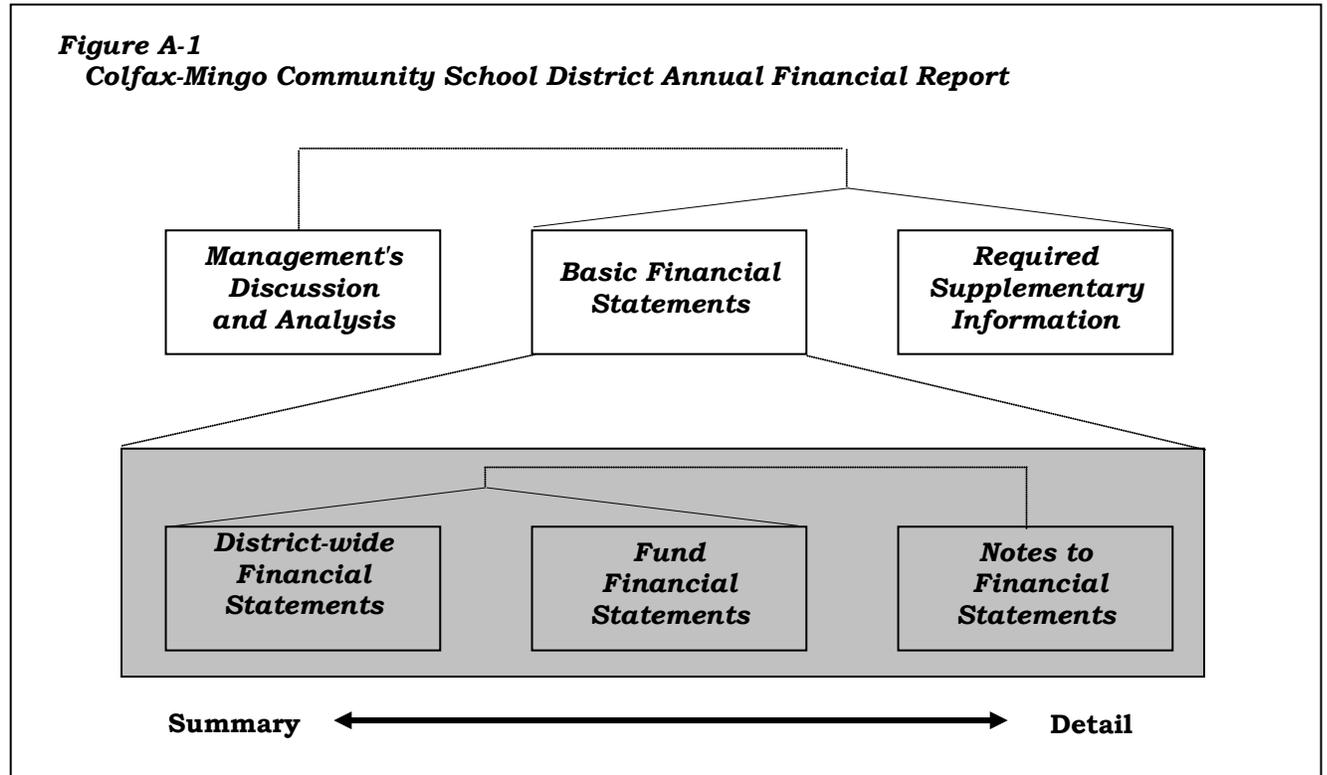


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | | |
|---|--|--|--|---|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire district (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses; food service operations | Instances in which the District administers resources on behalf of someone else, such as scholarship programs |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • 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 position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position |
| 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 Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for 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 Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. This fund includes the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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 Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3
Condensed Statement of Net Position

| | Governmental | | Business Type | | Total | | Total |
|----------------------------------|---------------|------------|---------------|-----------|------------|------------|----------|
| | Activities | | Activities | | District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-14 |
| Current and other assets | \$ 10,043,638 | 9,967,303 | 47,779 | 29,118 | 10,091,417 | 9,996,421 | 0.95% |
| Capital assets | 10,499,777 | 10,455,171 | 59,210 | 37,005 | 10,558,987 | 10,492,176 | 0.64% |
| Total assets | 20,543,415 | 20,422,474 | 106,989 | 66,123 | 20,650,404 | 20,488,597 | 0.79% |
| Long-term liabilities | 8,781,780 | 9,086,162 | 4,984 | 16,055 | 8,786,764 | 9,102,217 | -3.47% |
| Other liabilities | 751,938 | 673,519 | 143,619 | 150,197 | 895,557 | 823,716 | 8.72% |
| Total liabilities | 9,533,718 | 9,759,681 | 148,603 | 166,252 | 9,682,321 | 9,925,933 | -2.45% |
| Deferred inflows of resources | 2,816,482 | 2,904,782 | - | - | 2,816,482 | 2,904,782 | -3.04% |
| Net position: | | | | | | | |
| Net investment in capital assets | 5,743,192 | 5,378,193 | 59,210 | 37,005 | 5,802,402 | 5,415,198 | 7.15% |
| Restricted | 1,450,387 | 1,206,298 | - | - | 1,450,387 | 1,206,298 | 20.23% |
| Unrestricted | 999,636 | 1,173,520 | (100,824) | (137,134) | 898,812 | 1,036,386 | -13.27% |
| Total net position | \$ 8,193,215 | 7,758,011 | (41,614) | (100,129) | 8,151,601 | 7,657,882 | 6.45% |

The District's total net position increased 6.45%, or approximately \$493,719, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$244,089, or 20.23% over the prior year. The increase was primarily due to the increases in the Capital Projects: Statewide Sales, Services and Use Tax and Capital Projects: Physical Plant and Equipment Levy Fund balances.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$137,574, or 13.27%. This decrease in unrestricted net position was primarily due to the decrease in General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4
Changes in Net Position

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|---|-------------------------|-----------|--------------------------|-----------|----------------|-----------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-14 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$ 238,034 | 236,748 | 142,271 | 159,544 | 380,305 | 396,292 | -4.03% |
| Operating grants, contributions and restricted interest | 782,018 | 819,169 | 187,422 | 187,753 | 969,440 | 1,006,922 | -3.72% |
| Capital grants, contributions and restricted interest | - | 87,640 | - | - | - | 87,640 | -100.00% |
| General revenues: | | | | | | | |
| Property tax | 2,909,892 | 2,896,081 | - | - | 2,909,892 | 2,896,081 | 0.48% |
| Income surtax | 346,327 | 269,848 | - | - | 346,327 | 269,848 | 28.34% |
| Statewide sales, services and use tax | 642,611 | 651,804 | - | - | 642,611 | 651,804 | -1.41% |
| Unrestricted state grants | 3,935,401 | 3,992,580 | - | - | 3,935,401 | 3,992,580 | -1.43% |
| Unrestricted investment earnings | 9,187 | 1,845 | 27 | 32 | 9,214 | 1,877 | 390.89% |
| Other | 42,081 | 76,598 | 3,011 | 5,115 | 45,092 | 81,713 | -44.82% |
| Total revenues | 8,905,551 | 9,032,313 | 332,731 | 352,444 | 9,238,282 | 9,384,757 | -1.56% |
| Program expenses: | | | | | | | |
| Instructional | 5,388,508 | 5,205,511 | - | - | 5,388,508 | 5,205,511 | 3.52% |
| Support services | 2,268,418 | 2,228,556 | 9,166 | 3,921 | 2,277,584 | 2,232,477 | 2.02% |
| Non-instructional programs | - | - | 289,604 | 379,839 | 289,604 | 379,839 | -23.76% |
| Other expenses | 788,867 | 910,870 | - | - | 788,867 | 910,870 | -13.39% |
| Total expenses | 8,445,793 | 8,344,937 | 298,770 | 383,760 | 8,744,563 | 8,728,697 | 0.18% |
| Excess(Deficiency) of revenues over(under) expenditures | 459,758 | 687,376 | 33,961 | (31,316) | 493,719 | 656,060 | -24.74% |
| Transfers | (24,554) | - | 24,554 | - | - | - | 0.00% |
| Change in net position | 435,204 | 687,376 | 58,515 | (31,316) | 493,719 | 656,060 | -24.74% |
| Net position beginning of year | 7,758,011 | 7,070,635 | (100,129) | (68,813) | 7,657,882 | 7,001,822 | 9.37% |
| Net position end of year | \$ 8,193,215 | 7,758,011 | (41,614) | (100,129) | 8,151,601 | 7,657,882 | 6.45% |

In fiscal year 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 87.97% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.09% of business type activities revenue.

The District's total revenues were \$9,238,282, of which \$8,905,551 was governmental activities and \$332,731 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.56% decrease in revenues and a 0.18% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$8,905,551 and expenses were \$8,445,793 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|------------------|------------------------|------------------|-------------------|----------------------|------------------|-------------------|
| | 2014 | 2013 | Change 2013-14 | 2014 | 2013 | Change 2013-14 |
| Instruction | \$ 5,388,508 | 5,205,511 | 3.52% | 4,663,357 | 4,435,344 | 5.14% |
| Support services | 2,268,418 | 2,228,556 | 1.79% | 2,264,212 | 2,139,514 | 5.83% |
| Other expenses | 788,867 | 910,870 | -13.39% | 498,172 | 626,522 | -20.49% |
| Totals | <u>\$ 8,445,793</u> | <u>8,344,937</u> | <u>1.21%</u> | <u>7,425,741</u> | <u>7,201,380</u> | <u>3.12%</u> |

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$238,034.
- Federal and state governments and local sources subsidized certain programs with grants and contributions totaling \$782,018.
- The net cost of governmental activities was financed with \$2,909,892 in property tax, \$346,327 in income surtax, \$642,611 in statewide sales, services and use tax, \$3,935,401 in unrestricted state grants, \$9,187 in interest income and \$42,081 in other general revenues.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$357,285, representing a 1.37% increase from the prior year, while expenses totaled \$298,770, a 22.15% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were mostly 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 \$6,202,476, above last year's ending fund balance of \$6,135,240. The primary reason for the increase in combined fund balances at the end of fiscal year 2014 is the improvement in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the result of many factors. Revenues from local, state, and federal sources decreased from the prior year, resulting in a decrease in total revenues received in the General Fund. Total expenditures increased, with the biggest increase seen in the regular instruction functional area. The decrease in revenues and increase in expenditures caused the General Fund balance to decrease from \$1,614,797 at June 30, 2013 to \$1,432,324 at June 30, 2014.
- The Debt Service Fund balance decreased from \$3,843,836 at June 30, 2013 to \$3,813,628 at June 30, 2014. Expenditures outpaced revenues, despite an increase in revenues and a decrease in expenditures compared to the prior year, producing the decline in the Debt Service Fund balance.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a deficit \$100,129 at June 30, 2013 to a deficit \$41,614 at June 30, 2014, representing an increase of 58.44%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Colfax-Mingo Community School District amended its annual budget one time to reflect additional expenditures in the instruction area associated with staff additions and instructional materials, and in the other expenditures area associated with capital projects expenditures.

The District's revenues were \$17,839 more than budgeted revenues, a variance of 0.19%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$10,558,987, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.64% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$318,948.

The original cost of the District's capital assets was \$15,377,791. Governmental funds account for \$15,156,064 with the remainder of \$221,727 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$79,585 at June 30, 2013, compared to \$145,799 reported at June 30, 2014. The increase was primarily the result of new vehicles purchased during the year.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental | | Business Type | | Total | | Total |
|--------------------------|---------------|------------|---------------|--------|------------|------------|----------|
| | Activities | | Activities | | District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-14 |
| Land | \$ 123,219 | 123,219 | - | - | 123,219 | 123,219 | 0.00% |
| Construction in progress | 141,564 | 185,571 | - | - | 141,564 | 185,571 | -23.71% |
| Buildings | 10,050,243 | 9,996,925 | - | - | 10,050,243 | 9,996,925 | 0.53% |
| Land improvements | 98,162 | 106,876 | - | - | 98,162 | 106,876 | -8.15% |
| Machinery and equipment | 86,589 | 42,580 | 59,210 | 37,005 | 145,799 | 79,585 | 83.20% |
| Total | \$ 10,499,777 | 10,455,171 | 59,210 | 37,005 | 10,558,987 | 10,492,176 | 0.64% |

Long-Term Debt

At June 30, 2014, the District had \$8,786,764 in total long-term debt outstanding. This represents a decrease of 3.47% from last year's balance of \$9,102,217. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

| | Governmental | | Business Type | | Total | | Total |
|--------------------------|--------------|-----------|---------------|--------|-----------|-----------|----------|
| | Activities | | Activities | | District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-14 |
| General obligation bonds | \$ 8,455,000 | 8,805,000 | - | - | 8,455,000 | 8,805,000 | -3.98% |
| Compensated absences | 114,983 | 113,521 | 4,984 | 7,557 | 119,967 | 121,078 | -0.92% |
| Net OPEB liability | 211,797 | 167,641 | - | 8,498 | 211,797 | 176,139 | 20.24% |
| Total | \$ 8,781,780 | 9,086,162 | 4,984 | 16,055 | 8,786,764 | 9,102,217 | -3.47% |

The District had \$8,455,000 in general obligation bonds outstanding at June 30, 2014.

The District had compensated absences payable of \$119,967 at June 30, 2014 payable from the General and School Nutrition Funds.

The District also has a net OPEB liability of \$211,797 at June 30, 2014.

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.

BASIC FINANCIAL STATEMENTS

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

| | Governmental Activities | Business Type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash, cash equivalents and pooled investments: | | | |
| U.S. Treasury Securities on deposit with escrow agent | \$ 3,697,433 | - | 3,697,433 |
| Other | 2,629,706 | 39,652 | 2,669,358 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 32,894 | - | 32,894 |
| Succeeding year | 2,816,482 | - | 2,816,482 |
| Income surtax | 307,628 | - | 307,628 |
| Prepaid expenses | 10,227 | - | 10,227 |
| Due from other funds | 139,217 | - | 139,217 |
| Due from other governments | 410,051 | - | 410,051 |
| Inventories | - | 8,127 | 8,127 |
| Capital assets, net of accumulated depreciation | 10,499,777 | 59,210 | 10,558,987 |
| Total Assets | 20,543,415 | 106,989 | 20,650,404 |
| Liabilities | | | |
| Due to other funds | - | 139,217 | 139,217 |
| Accounts payable | 257,606 | 650 | 258,256 |
| Salaries and benefits payable | 452,712 | - | 452,712 |
| Advances from grantors | 6,734 | - | 6,734 |
| Interest payable | 34,886 | - | 34,886 |
| Unearned revenue | - | 3,752 | 3,752 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds payable | 360,000 | - | 360,000 |
| Compensated absences payable | 114,983 | 4,984 | 119,967 |
| Portion due after one year: | | | |
| General obligation bonds payable | 8,095,000 | - | 8,095,000 |
| Net OPEB liability | 211,797 | - | 211,797 |
| Total Liabilities | 9,533,718 | 148,603 | 9,682,321 |
| Deferred Inflows of Resources | | | |
| Unavailable property tax revenue | 2,816,482 | - | 2,816,482 |
| Net Position | | | |
| Net investment in capital assets | 5,743,192 | 59,210 | 5,802,402 |
| Restricted for: | | | |
| Categorical funding | 403,026 | - | 403,026 |
| Debt service | 81,309 | - | 81,309 |
| Management levy purposes | 136,018 | - | 136,018 |
| Student activities | 76,156 | - | 76,156 |
| School infrastructure | 674,286 | - | 674,286 |
| Physical plant and equipment | 79,592 | - | 79,592 |
| Unrestricted | 999,636 | (100,824) | 898,812 |
| Total Net Position | \$ 8,193,215 | (41,614) | 8,151,601 |

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

| | Program Revenues | | Net (Expense)Revenue and Changes in Net Position | | |
|--|---------------------------|--|---|--------------------------------|------------------|
| | Charges for Service | Operating Grants, Contributions and Restricted Interest | Govern- mental Activities | Business Type Activities | Total |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 3,073,600 | 175,508 | 45,496 | (2,852,596) | - |
| Special | 922,604 | - | 111,985 | (810,619) | - |
| Other | 1,392,304 | 62,491 | 329,671 | (1,000,142) | - |
| | <u>5,388,508</u> | <u>237,999</u> | <u>487,152</u> | <u>(4,663,357)</u> | <u>-</u> |
| Support services: | | | | | |
| Student | 153,036 | - | - | (153,036) | - |
| Instructional staff | 126,393 | - | 3,718 | (122,675) | - |
| Administration | 949,237 | - | - | (949,237) | - |
| Operation and maintenance of plant | 656,432 | - | - | (656,432) | - |
| Transportation | 383,320 | 35 | 453 | (382,832) | - |
| | <u>2,268,418</u> | <u>35</u> | <u>4,171</u> | <u>(2,264,212)</u> | <u>-</u> |
| Long-term debt interest | 216,117 | - | - | (216,117) | - |
| Other expenditures: | | | | | |
| AEA flowthrough | 290,695 | - | 290,695 | - | - |
| Depreciation(unallocated)* | 282,055 | - | - | (282,055) | - |
| | <u>572,750</u> | <u>-</u> | <u>290,695</u> | <u>(282,055)</u> | <u>-</u> |
| Total governmental activities | <u>8,445,793</u> | <u>238,034</u> | <u>782,018</u> | <u>(7,425,741)</u> | <u>-</u> |
| Business type activities: | | | | | |
| Support services: | | | | | |
| Operation and maintenance of plant | 9,166 | - | - | (9,166) | (9,166) |
| Non-instructional programs: | | | | | |
| Food service operations | 289,604 | 142,271 | 187,422 | - | 40,089 |
| Total business type activities | <u>298,770</u> | <u>142,271</u> | <u>187,422</u> | <u>-</u> | <u>30,923</u> |
| Total | <u>\$ 8,744,563</u> | <u>380,305</u> | <u>969,440</u> | <u>(7,425,741)</u> | <u>30,923</u> |
| General Revenues and Transfers: | | | | | |
| Property tax for: | | | | | |
| General purposes | | | \$ 2,202,876 | - | 2,202,876 |
| Debt service | | | 527,122 | - | 527,122 |
| Capital outlay | | | 179,894 | - | 179,894 |
| Income surtax | | | 346,327 | - | 346,327 |
| Statewide sales, services and use tax | | | 642,611 | - | 642,611 |
| Unrestricted state grants | | | 3,935,401 | - | 3,935,401 |
| Unrestricted investment earnings | | | 9,187 | 27 | 9,214 |
| Other general revenues | | | 42,081 | 3,011 | 45,092 |
| Transfers | | | (24,554) | 24,554 | - |
| Total general revenues and transfers | | | <u>7,860,945</u> | <u>27,592</u> | <u>7,888,537</u> |
| Change in net position | | | 435,204 | 58,515 | 493,719 |
| Net position beginning of year | | | 7,758,011 | (100,129) | 7,657,882 |
| Net position end of year | | | <u>\$ 8,193,215</u> | <u>(41,614)</u> | <u>8,151,601</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, 2014

| | Debt | | | Total |
|---|---------------------|------------------|------------------|-------------------|
| | General | Service | Nonmajor | |
| Assets | | | | |
| Cash, cash equivalents and pooled investments: | | | | |
| U.S. Treasury Securities on deposit | | | | |
| with escrow agent | \$ - | 3,697,433 | - | 3,697,433 |
| Other | 1,797,632 | 110,216 | 721,858 | 2,629,706 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 23,060 | 5,979 | 3,855 | 32,894 |
| Succeeding year | 1,958,988 | 529,141 | 328,353 | 2,816,482 |
| Income surtax | 307,628 | - | - | 307,628 |
| Prepaid expenses | - | - | 10,227 | 10,227 |
| Due from other funds | 139,217 | - | - | 139,217 |
| Due from other governments | 136,053 | - | 273,998 | 410,051 |
| Total Assets | \$ 4,362,578 | 4,342,769 | 1,338,291 | 10,043,638 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 204,192 | - | 53,414 | 257,606 |
| Salaries and benefits payable | 452,712 | - | - | 452,712 |
| Advances from grantors | 6,734 | - | - | 6,734 |
| Total Liabilities | 663,638 | - | 53,414 | 717,052 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | 1,958,988 | 529,141 | 328,353 | 2,816,482 |
| Income surtax | 307,628 | - | - | 307,628 |
| Total deferred inflows of resources | 2,266,616 | 529,141 | 328,353 | 3,124,110 |
| Fund balances: | | | | |
| Nonspendable | - | - | 10,227 | 10,227 |
| Restricted for: | | | | |
| Categorical funding | 403,026 | - | - | 403,026 |
| Debt service | - | 3,813,628 | - | 3,813,628 |
| Management levy purposes | - | - | 136,018 | 136,018 |
| Student activities | - | - | 76,156 | 76,156 |
| School infrastructure | - | - | 675,268 | 675,268 |
| Physical plant and equipment | - | - | 79,592 | 79,592 |
| Unassigned: | | | | |
| General | 1,029,298 | - | - | 1,029,298 |
| Student activities | - | - | (20,737) | (20,737) |
| Total fund balances | 1,432,324 | 3,813,628 | 956,524 | 6,202,476 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 4,362,578 | 4,342,769 | 1,338,291 | 10,043,638 |

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

| | | |
|---|-----------|--|
| Total fund balances of governmental funds(page 20) | \$ | 6,202,476 |
| <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | | 10,499,777 |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current period. | | 307,628 |
| 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. | | (34,886) |
| Long-term liabilities, including general obligation bonds payable, compensated absences, 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. | | (8,781,780) |
| | | <hr style="border: 1px solid black;"/> |
| Net position of governmental activities(page 18) | \$ | <u><u>8,193,215</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, 2014

| | Debt | | | Total |
|--|---------------------|------------------|------------------|------------------|
| | General | Service | Nonmajor | |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 2,378,769 | 527,122 | 330,179 | 3,236,070 |
| Tuition | 144,862 | - | - | 144,862 |
| Other | 93,475 | 7,353 | 129,102 | 229,930 |
| Intermediate sources | 1,425 | - | - | 1,425 |
| State sources | 4,371,825 | 265 | 642,782 | 5,014,872 |
| Federal sources | 258,243 | - | - | 258,243 |
| Total revenues | <u>7,248,599</u> | <u>534,740</u> | <u>1,102,063</u> | <u>8,885,402</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,063,125 | - | - | 3,063,125 |
| Special | 917,608 | - | - | 917,608 |
| Other | 1,259,346 | - | 99,811 | 1,359,157 |
| | <u>5,240,079</u> | <u>-</u> | <u>99,811</u> | <u>5,339,890</u> |
| Support services: | | | | |
| Student | 145,147 | - | - | 145,147 |
| Instructional staff | 76,917 | - | 48,034 | 124,951 |
| Administration | 796,348 | - | 155,630 | 951,978 |
| Operation and maintenance of plant | 557,938 | - | 43,529 | 601,467 |
| Transportation | 328,560 | - | 104,502 | 433,062 |
| | <u>1,904,910</u> | <u>-</u> | <u>351,695</u> | <u>2,256,605</u> |
| Capital outlay | - | - | 370,640 | 370,640 |
| Long-term debt: | | | | |
| Principal | - | 350,000 | - | 350,000 |
| Interest and fiscal charges | - | 214,948 | - | 214,948 |
| | <u>-</u> | <u>564,948</u> | <u>-</u> | <u>564,948</u> |
| Other expenditures: | | | | |
| AEA flowthrough | 290,695 | - | - | 290,695 |
| Total expenditures | <u>7,435,684</u> | <u>564,948</u> | <u>822,146</u> | <u>8,822,778</u> |
| Excess(Deficiency) of revenues over(under) expenditures | <u>(187,085)</u> | <u>(30,208)</u> | <u>279,917</u> | <u>62,624</u> |
| Other financing sources: | | | | |
| Sale of equipment | 4,612 | - | - | 4,612 |
| Change in fund balances | (182,473) | (30,208) | 279,917 | 67,236 |
| Fund balances beginning of year | <u>1,614,797</u> | <u>3,843,836</u> | <u>676,607</u> | <u>6,135,240</u> |
| Fund balances end of year | <u>\$ 1,432,324</u> | <u>3,813,628</u> | <u>956,524</u> | <u>6,202,476</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, 2014

Change in fund balances - total governmental funds(page 22) \$ 67,236

**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. Capital outlay expenditures and depreciation expense in the current year, is as follows:

| | | |
|----------------------|------------|--------|
| Capital outlays | \$ 355,767 | |
| Depreciation expense | (311,161) | 44,606 |
| | | |

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 350,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (1,169)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 20,149

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 | (1,462) | |
| Other postemployment benefits | (44,156) | (45,618) |
| | | |

Change in net position of governmental activities(page 19) \$ 435,204

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

| | Enterprise, School Nutrition |
|--|------------------------------------|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 39,652 |
| Inventories | 8,127 |
| Total current assets | 47,779 |
| Noncurrent assets: | |
| Capital assets, net of accumulated depreciation | 59,210 |
| Total Assets | 106,989 |
| Liabilities | |
| Current liabilities: | |
| Interfund payable | 139,217 |
| Accounts payable | 650 |
| Unearned revenue | 3,752 |
| Total current liabilities | 143,619 |
| Noncurrent liabilities: | |
| Compensated absences payable | 4,984 |
| Total Liabilities | 148,603 |
| Net Position | |
| Net investment in capital assets | 59,210 |
| Unrestricted | (100,824) |
| Total Net Position | \$ (41,614) |

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2014

| | Enterprise, School Nutrition |
|---|------------------------------------|
| Operating revenues: | |
| Local sources: | |
| Charges for service | \$ 142,271 |
| Miscellaneous | 3,011 |
| Total operating revenues | 145,282 |
| Operating expenses: | |
| Support services: | |
| Operation and maintenance of plant: | |
| Services | 9,166 |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 95,943 |
| Benefits | 5,328 |
| Services | 36,183 |
| Supplies | 144,363 |
| Depreciation | 7,787 |
| | 289,604 |
| Total operating expenses | 298,770 |
| Operating loss | (153,488) |
| Non-operating revenues: | |
| State sources | 2,833 |
| Federal sources | 184,589 |
| Interest income | 27 |
| Total non-operating revenues | 187,449 |
| Change in net position before capital contributions | 33,961 |
| Capital contributions | 24,554 |
| Change in net position | 58,515 |
| Net position beginning of year | (100,129) |
| Net position end of year | \$ (41,614) |

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

| | Enterprise, School Nutrition |
|---|------------------------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 143,351 |
| Cash received from miscellaneous | 3,011 |
| Cash payments to employees for services | (112,342) |
| Cash payments to suppliers for goods or services | (180,351) |
| Net cash used in operating activities | (146,331) |
| Cash flows from non-capital financing activities: | |
| Repayments to the General Fund | (5,001) |
| State grants received | 2,833 |
| Federal grants received | 173,273 |
| Net cash provided by non-capital financing activities | 171,105 |
| Cash flows from capital and related financing activities: | |
| Purchase of capital assets | (5,438) |
| Cash flows from investing activities: | |
| Interest on investments | 27 |
| Net increase in cash and cash equivalents | 19,363 |
| Cash and cash equivalents beginning of year | 20,289 |
| Cash and cash equivalents end of year | \$ 39,652 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (153,488) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities used | 11,316 |
| Depreciation | 7,787 |
| Decrease in inventories | 702 |
| Decrease in accounts payables | (2,657) |
| Increase in unearned revenue | 1,080 |
| Decrease in compensated absences payable | (2,573) |
| Decrease in other postemployment benefits | (8,498) |
| Net cash used by operating activities | \$ (146,331) |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$11,316 of federal commodities.

During the year ended June 30, 2014, the District received \$24,554 of capital contributions from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

| | <u>Private Purpose</u> |
|--|------------------------|
| | <u>Trust</u> |
| | <u>Scholarship</u> |
| Assets | |
| Cash, cash equivalents and pooled investments | <u>\$ 204,077</u> |
| Liabilities | <u>-</u> |
| Net Position | |
| Restricted for scholarships | <u>\$ 204,077</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2014

| | <u>Private Purpose</u> |
|--------------------------------|---|
| | <u>Trust</u> |
| | <u>Scholarship</u> |
| Additions: | |
| Local sources: | |
| Gifts and contributions | \$ 400 |
| Interest income | 11,762 |
| Total additions | <u> 12,162</u> |
| Deductions: | |
| Instruction: | |
| Other: | |
| Scholarships awarded | <u> 21,584</u> |
| Change in net position | (9,422) |
| Net position beginning of year | <u> 213,499</u> |
| Net position end of year | <u><u> \$ 204,077</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(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 Position 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 Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which 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 Enterprise, 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 focuses on net position and changes in net position. 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.

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 position 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.

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, Deferred Inflows of Resources and Fund Balances

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

Cash, Cash Equivalents and Pooled Investments - 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|---------------------------------|----------|
| Land | \$ 1,500 |
| Buildings | 1,500 |
| Land improvements | 1,500 |
| Intangibles | 25,000 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery and equipment | 1,500 |

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

| Asset Class | Estimated Useful lives (In Years) |
|-------------------------|-----------------------------------|
| Buildings | 50 years |
| Land improvements | 20 years |
| Intangibles | 5 years |
| Machinery and equipment | 5-20 years |

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Deferred Inflows of Resources - 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 inflows of resources 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 inflows of resources consist of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on the Statement of Net Position 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 Position 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, 2014. 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 Position.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be intact or are not expected to be converted to cash.

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.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, the District amended its budget one time to reflect additional expenditures associated with additional staff and capital projects expenditures.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$417,382 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.

Securities are stated at fair value. Securities traded on a national or international exchange are valued the last reported sales price at current exchange rates. At June 30, 2014, the District had investments in U.S. Treasury Securities of \$3,697,432.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|-------------------|
| General | School Nutrition | <u>\$ 139,217</u> |

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.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2014 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|----------------|----------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 123,219 | - | - | 123,219 |
| Construction in progress | 185,571 | 281,303 | 325,310 | 141,564 |
| Total capital assets not being depreciated | <u>308,790</u> | <u>281,303</u> | <u>325,310</u> | <u>264,783</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 13,815,205 | 325,310 | - | 14,140,515 |
| Land improvements | 426,053 | - | - | 426,053 |
| Machinery and equipment | 611,378 | 74,464 | 361,129 | 324,713 |
| Total capital assets being depreciated | <u>14,852,636</u> | <u>399,774</u> | <u>361,129</u> | <u>14,891,281</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,818,280 | 271,992 | - | 4,090,272 |
| Land improvements | 319,177 | 8,714 | - | 327,891 |
| Machinery and equipment | 568,798 | 30,455 | 361,129 | 238,124 |
| Total accumulated depreciation | <u>4,706,255</u> | <u>311,161</u> | <u>361,129</u> | <u>4,656,287</u> |
| Total capital assets being depreciated, net | <u>10,146,381</u> | <u>88,613</u> | <u>-</u> | <u>10,234,994</u> |
| Governmental activities capital assets, net | <u>\$ 10,455,171</u> | <u>369,916</u> | <u>325,310</u> | <u>10,499,777</u> |
| Business type activities: | | | | |
| Machinery and equipment | \$ 191,735 | 29,992 | - | 221,727 |
| Less accumulated depreciation | 154,730 | 7,787 | - | 162,517 |
| Business type activities capital assets, net | <u>\$ 37,005</u> | <u>22,205</u> | <u>-</u> | <u>59,210</u> |

Depreciation expense was charged by the District as follows:

| | |
|--|-------------------|
| Governmental activities: | |
| Instruction: | |
| Regular | \$ 8,736 |
| Special | 1,276 |
| Other | 2,510 |
| Support services: | |
| Student | 3,054 |
| Instructional staff | 4,227 |
| Administration | 334 |
| Operation and maintenance of plant | 1,403 |
| Transportation | 7,566 |
| | <u>29,106</u> |
| Unallocated depreciation | <u>282,055</u> |
| Total governmental activities depreciation expense | <u>\$ 311,161</u> |
| Business type activities: | |
| Food service operations | <u>\$ 7,787</u> |

(5) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|----------------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 8,805,000 | - | 350,000 | 8,455,000 | 360,000 |
| Compensated absences | 113,521 | 114,983 | 113,521 | 114,983 | 114,983 |
| Net OPEB liability | 167,641 | 44,156 | - | 211,797 | - |
| Total | \$ 9,086,162 | 159,139 | 463,521 | 8,781,780 | 474,983 |
| Business type activities: | | | | | |
| Compensated absences | \$ 7,557 | 4,984 | 7,557 | 4,984 | 4,984 |
| Net OPEB liability | 8,498 | - | 8,498 | - | - |
| Total | \$ 16,055 | 4,984 | 16,055 | 4,984 | 4,984 |

General Obligation Bonds Payable

On May 21, 2013, the District issued \$3,785,000 of general obligation refunding bonds, with interest rates ranging from 0.45% to 1.70%, for a crossover refunding of a portion of the general obligation bonds issued March 1, 2010. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$3,665,000 principal of the refunded general obligation bonds when they become callable on May 1, 2015 and the interest from November 1, 2013 to and including May 1, 2015 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished. The present value of economic savings generated by the crossover refunding issue is \$312,711.

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Bond Issue of May 1, 2005 | | | Bond Issue of March 1, 2010 | | |
|----------------------------|---------------------------|-------------|----------|-----------------------------|--------------|----------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2015 | 5.75 | % \$ 10,000 | 35,843 | 2.20 | % \$ 350,000 | 133,298 |
| 2016 | 5.75 | 10,000 | 35,268 | 2.55 | 355,000 | 125,597 |
| 2017 | 5.75 | 10,000 | 34,692 | 2.80 | 370,000 | 116,545 |
| 2018 | 5.75 | 15,000 | 34,118 | 3.00 | 380,000 | 106,185 |
| 2019 | 5.75 | 15,000 | 33,255 | 3.20 | 390,000 | 94,785 |
| 2020-2024 | 5.75 | 75,000 | 153,338 | 3.40-4.10 | 2,170,000 | 260,565 |
| 2025 | 5.40 | 520,000 | 28,080 | | - | - |
| Total | | \$ 655,000 | 354,594 | | \$ 4,015,000 | 836,975 |

| Year | Bond Issue of May 21, 2013 | | | | Total | | |
|-----------|----------------------------|----------------|--------------|----------|--------------|-----------|-----------|
| | Ending June 30, | Interest Rates | Principal | Interest | Principal | Interest | Total |
| 2015 | 0.45 | % \$ | - | 40,176 | \$ 360,000 | 209,317 | 569,317 |
| 2016 | 0.45 | | 405,000 | 39,264 | 770,000 | 200,129 | 970,129 |
| 2017 | 0.55 | | 410,000 | 37,225 | 790,000 | 188,462 | 978,462 |
| 2018 | 0.70 | | 410,000 | 34,663 | 805,000 | 174,966 | 979,966 |
| 2019 | 0.85 | | 415,000 | 31,464 | 820,000 | 159,504 | 979,504 |
| 2020-2024 | 1.00-1.70 | | 2,145,000 | 82,730 | 4,390,000 | 496,633 | 4,886,633 |
| 2025 | | | - | - | 520,000 | 28,080 | 548,080 |
| Total | | | \$ 3,785,000 | 265,522 | \$ 8,455,000 | 1,457,091 | 9,912,091 |

(6) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 72 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|--|------------|
| Annual required contribution | \$ 40,941 |
| Interest on net OPEB obligation | 4,403 |
| Adjustment to annual required contribution | (9,686) |
| Annual OPEB cost | 35,658 |
| Contributions made | - |
| Increase in net OPEB obligation | 35,658 |
| Net OPEB obligation - beginning of year | 176,139 |
| Net OPEB obligation - end of year | \$ 211,797 |

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, 2014.

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, 2014 are summarized as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2012 | \$ 55,042 | 5.42% | \$ 141,182 |
| 2013 | 34,957 | 0.00 | 176,139 |
| 2014 | 35,658 | 0.00 | 211,797 |

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$0.295 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.295 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3,542,821, and the ratio of the UAAL to the covered payroll was 8.3%. As of June 30, 2014, 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, 2012 actuarial valuation date, the entry age 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.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$352,496, \$352,027, and \$352,564 respectively, equal to the required contributions for each year.

(8) 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 in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$505,939.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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.

(9) 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 \$290,695 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

| Program | Amount |
|--|-------------------|
| Four-year-old preschool state aid | \$ 198,804 |
| At-risk programs | 2,549 |
| Professional development for model core curriculum | 47,453 |
| Gifted and talented programs | 39,531 |
| Professional development | 94,954 |
| Market factor incentives | 563 |
| Successful progression for early readers | 15,904 |
| Teacher leadership grants | 3,268 |
| Total | <u>\$ 403,026</u> |

(11) Deficit Unassigned Fund Balance and Unrestricted Net Position

The Special Revenue: Student Activity Fund had a deficit unassigned fund balance of \$20,737 at June 30, 2014. The Enterprise, School Nutrition Fund had a deficit unrestricted net position balance of \$100,824 at June 30, 2014 and total deficit net position of \$41,614.

(12) Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

| | Invested in Capital Assets | Debt Service | School Infra- structure | Unassigned/ Unrestricted |
|--|----------------------------------|-----------------|-------------------------------|-----------------------------|
| Fund balance (Exhibit C) | \$ - | 3,813,628 | 675,268 | 1,029,298 |
| Capital assets, net of accumulated depreciation | 10,499,777 | - | - | - |
| General obligation bond capitalized indebtedness | (4,756,585) | - | - | - |
| Crossover refunding general obligation bond escrow | - | (3,697,433) | - | - |
| Accrued interest payable | - | (34,886) | - | - |
| Unspent general obligation bond proceeds | - | - | (982) | - |
| Income surtax | - | - | - | 307,628 |
| Accrued compensated absences | - | - | - | (114,983) |
| Net OPEB liability | - | - | - | (211,797) |
| Nonspendable fund balance | - | - | - | 10,227 |
| Unassigned student activities fund balance | - | - | - | (20,737) |
| Net position (Exhibit A) | <u>\$ 5,743,192</u> | <u>81,309</u> | <u>674,286</u> | <u>999,636</u> |

(13) Construction Commitment

The District entered into contracts totaling \$362,250 for a drainage and boiler project at the District's elementary school. As of June 30, 2014, costs of \$141,564 had been incurred against the contracts. The balance of \$220,686 remaining at June 30, 2014 will be paid as work on the projects progresses.

(14) Operating Lease Obligation

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

During fiscal year 2013, the District entered into a three year transportation service contract with Durham School Services. Under this contract, Durham School Services provides the district with 7 buses, maintenance, and drivers. In addition to the contract, the District also pays for the use of the buses on district routes, special education routes, and fieldtrips. Total payments to Durham School Services during fiscal year 2014 totaled \$325,048, including contract payments of \$48,595.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosure required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

| | Governmental | Proprietary | Total Actual | Budgeted Amounts | | Final to |
|--|--------------|-------------|-----------------|------------------|-------------|-----------|
| | Funds | Fund | | Original | Final | Actual |
| | Actual | Actual | | | | Variance |
| Revenues: | | | | | | |
| Local sources | \$ 3,610,862 | 145,309 | 3,756,171 | 4,330,487 | 4,330,487 | (574,316) |
| Intermediate sources | 1,425 | - | 1,425 | 4,000 | 4,000 | (2,575) |
| State sources | 5,014,872 | 2,833 | 5,017,705 | 4,396,507 | 4,396,507 | 621,198 |
| Federal sources | 258,243 | 184,589 | 442,832 | 469,300 | 469,300 | (26,468) |
| Total revenues | 8,885,402 | 332,731 | 9,218,133 | 9,200,294 | 9,200,294 | 17,839 |
| Expenditures/Expenses: | | | | | | |
| Instruction | 5,339,890 | - | 5,339,890 | 5,410,000 | 5,487,840 | 147,950 |
| Support services | 2,256,605 | 9,166 | 2,265,771 | 2,545,000 | 2,545,000 | 279,229 |
| Non-instructional programs | - | 289,604 | 289,604 | 375,000 | 375,000 | 85,396 |
| Other expenditures | 1,226,283 | - | 1,226,283 | 1,038,751 | 1,892,143 | 665,860 |
| Total expenditures/expenses | 8,822,778 | 298,770 | 9,121,548 | 9,368,751 | 10,299,983 | 1,178,435 |
| Excess(Deficiency) of revenues over(under) expenditures/expenses | 62,624 | 33,961 | 96,585 | (168,457) | (1,099,689) | 1,196,274 |
| Other financing sources, net | 4,612 | 24,554 | 29,166 | - | - | 29,166 |
| Excess(Deficiency) of revenues and and other financing sources over(under) expenditures/expenses | 67,236 | 58,515 | 125,751 | (168,457) | (1,099,689) | 1,225,440 |
| Balance beginning of year | 6,135,240 | (100,129) | 6,035,111 | 3,036,666 | 3,036,666 | 2,998,445 |
| Balance end of year | \$ 6,202,476 | (41,614) | 6,160,862 | 2,868,209 | 1,936,977 | 4,223,885 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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 \$931,232.

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 Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 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 |
| 2013 | July 1, 2012 | - | 298 | 298 | 0.0 | 3,711 | 8.0 |
| 2014 | July 1, 2012 | - | 295 | 295 | 0.0 | 3,543 | 8.3 |

See Note 6 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, 2014

| | Special Revenue | | | | |
|---|-------------------------|---------------------|----------------|---------------------|------------------|
| | Manage- ment Levy | Student Activity | Total | Capital Projects | Total |
| Assets | | | | | |
| Cash, cash equivalents and pooled investments | \$ 134,321 | 58,084 | 192,405 | 529,453 | 721,858 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 1,697 | - | 1,697 | 2,158 | 3,855 |
| Succeeding year | 150,000 | - | 150,000 | 178,353 | 328,353 |
| Prepaid expenses | 10,227 | - | 10,227 | - | 10,227 |
| Due from other governments | - | - | - | 273,998 | 273,998 |
| Total Assets | \$ 296,245 | 58,084 | 354,329 | 983,962 | 1,338,291 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | 2,665 | 2,665 | 50,749 | 53,414 |
| Deferred inflows of resources: | | | | | |
| Unavailable revenues: | | | | | |
| Succeeding year property tax | 150,000 | - | 150,000 | 178,353 | 328,353 |
| Fund balances: | | | | | |
| Nonspendable | 10,227 | - | 10,227 | - | 10,227 |
| Restricted for: | | | | | |
| Management levy purposes | 136,018 | - | 136,018 | - | 136,018 |
| Student activities | - | 76,156 | 76,156 | - | 76,156 |
| School infrastructure | - | - | - | 675,268 | 675,268 |
| Physical plant and equipment | - | - | - | 79,592 | 79,592 |
| Unassigned | - | (20,737) | (20,737) | - | (20,737) |
| Total fund balances | 146,245 | 55,419 | 201,664 | 754,860 | 956,524 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 296,245 | 58,084 | 354,329 | 983,962 | 1,338,291 |

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, 2014

| | Special Revenue | | | | |
|------------------------------------|-------------------------|---------------------|----------------|---------------------|------------------|
| | Manage- ment levy | Student Activity | Total | Capital Projects | Total |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 150,285 | - | 150,285 | 179,894 | 330,179 |
| Other | 13,293 | 115,734 | 129,027 | 75 | 129,102 |
| State sources | 80 | - | 80 | 642,702 | 642,782 |
| Total revenues | <u>163,658</u> | <u>115,734</u> | <u>279,392</u> | <u>822,671</u> | <u>1,102,063</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Other | - | 99,811 | 99,811 | - | 99,811 |
| Support services: | | | | | |
| Instructional staff | - | - | - | 48,034 | 48,034 |
| Administration | 148,788 | - | 148,788 | 6,842 | 155,630 |
| Operation and maintenance of plant | - | - | - | 43,529 | 43,529 |
| Transportation | - | - | - | 104,502 | 104,502 |
| Capital outlay | - | - | - | 370,640 | 370,640 |
| Total expenditures | <u>148,788</u> | <u>99,811</u> | <u>248,599</u> | <u>573,547</u> | <u>822,146</u> |
| Change in fund balances | 14,870 | 15,923 | 30,793 | 249,124 | 279,917 |
| Fund balances beginning of year | <u>131,375</u> | <u>39,496</u> | <u>170,871</u> | <u>505,736</u> | <u>676,607</u> |
| Fund balances end of year | <u>\$ 146,245</u> | <u>55,419</u> | <u>201,664</u> | <u>754,860</u> | <u>956,524</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

| | Capital Projects | | | Total |
|---|------------------------------------|---|--|----------------|
| | High School Capital Projects | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | |
| Assets | | | | |
| Cash, cash equivalents and pooled investments | \$ 982 | 448,722 | 79,749 | 529,453 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | 2,158 | 2,158 |
| Succeeding year | - | - | 178,353 | 178,353 |
| Due from other governments | - | 273,998 | - | 273,998 |
| Total Assets | \$ 982 | 722,720 | 260,260 | 983,962 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | 48,434 | 2,315 | 50,749 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | - | - | 178,353 | 178,353 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| School infrastructure | 982 | 674,286 | - | 675,268 |
| Physical plant and equipment | - | - | 79,592 | 79,592 |
| Total fund balances | 982 | 674,286 | 79,592 | 754,860 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 982 | 722,720 | 260,260 | 983,962 |

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, 2014

| | Capital Projects | | | Total |
|------------------------------------|------------------------------------|---|--|---------|
| | High School Capital Projects | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ - | - | 179,894 | 179,894 |
| Other | - | 13 | 62 | 75 |
| State sources | - | 642,611 | 91 | 642,702 |
| Total revenues | - | 642,624 | 180,047 | 822,671 |
| Expenditures: | | | | |
| Current: | | | | |
| Support services: | | | | |
| Instructional staff | - | 48,034 | - | 48,034 |
| Adminstration | - | 6,842 | - | 6,842 |
| Operation and maintenance of plant | - | 43,529 | - | 43,529 |
| Transportation | - | 55,908 | 48,594 | 104,502 |
| Capital outlay | - | 365,514 | 5,126 | 370,640 |
| Total expenditures | - | 519,827 | 53,720 | 573,547 |
| Change in fund balances | - | 122,797 | 126,327 | 249,124 |
| Fund balances beginning of year | 982 | 551,489 | (46,735) | 505,736 |
| Fund balances end of year | \$ 982 | 674,286 | 79,592 | 754,860 |

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, 2014

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Intra- fund Transfers | Balance End of Year |
|----------------------------|---------------------------------|----------|-------------------|-----------------------------|---------------------------|
| Fair Concessions | \$ - | 1,950 | 1,950 | - | - |
| Elementary Student Council | 2,502 | - | - | - | 2,502 |
| Elementary | 3,239 | 5,894 | 5,820 | (441) | 2,872 |
| Interest | - | 61 | - | (61) | - |
| MS Cheerleaders | 914 | - | - | (914) | - |
| MS Student Council | 161 | - | - | (161) | - |
| Middle Activity | 16 | 7,863 | 9,401 | 1,522 | - |
| HS Drama | 3,933 | 5,338 | 3,174 | - | 6,097 |
| HS Speech | 308 | 1,749 | 1,213 | - | 844 |
| HS Chorus | 8,565 | 2,397 | 779 | - | 10,183 |
| HS Band | 182 | 1,773 | - | - | 1,955 |
| Cross Country | - | 1,321 | 1,414 | 93 | - |
| Athletics | (24,447) | 4,218 | 1,437 | 929 | (20,737) |
| Boys Basketball | 355 | 3,241 | 2,255 | - | 1,341 |
| Football | 9,599 | 7,422 | 5,976 | (93) | 10,952 |
| Baseball | - | 4,970 | 4,823 | - | 147 |
| Boys Track | - | - | 1,339 | 1,339 | - |
| Boys Golf | - | 493 | 689 | 196 | - |
| Wrestling | 3,962 | 2,367 | 3,678 | - | 2,651 |
| Girls Basketball | 1,913 | 2,824 | 2,048 | - | 2,689 |
| Volleyball | 4,114 | 1,544 | 1,317 | (380) | 3,961 |
| Softball | 989 | 3,764 | 5,133 | 380 | - |
| Girls Track | - | 17 | 565 | 548 | - |
| Girls Golf | - | 231 | 407 | 176 | - |
| HS Cheerleaders | - | 3,385 | 1,376 | - | 2,009 |
| HS Student Council | 5,103 | 5,210 | 4,637 | - | 5,676 |
| Annual | 1,233 | 8,260 | 6,863 | - | 2,630 |
| Art Club | 132 | 98 | - | - | 230 |
| Class of 2012 | 1,242 | - | - | (1,242) | - |
| Class of 2013 | 851 | - | - | (851) | - |
| Class of 2014 | 979 | 200 | 139 | (1,040) | - |
| Class of 2015 | 495 | 8,659 | 6,912 | - | 2,242 |
| Class of 2016 | 435 | 140 | - | - | 575 |
| Class of 2017 | 379 | 20 | 49 | - | 350 |
| Class of 2018 | 805 | - | - | - | 805 |
| Class of 2019 | - | 420 | - | - | 420 |
| Class of 2020 | - | 691 | - | - | 691 |
| National Honor Society | - | 206 | - | - | 206 |
| FFA | 3,828 | 15,558 | 13,910 | - | 5,476 |
| Business Professionals | 654 | - | - | - | 654 |
| Sound Club | 1,355 | - | - | - | 1,355 |
| Spanish Club | 1,363 | 4,827 | 5,633 | - | 557 |
| Wrestling Pep Club | 52 | - | - | - | 52 |
| Drill Team | 4,285 | 8,623 | 6,874 | - | 6,034 |
| Total | \$ 39,496 | 115,734 | 99,811 | - | 55,419 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
 COMBINING BALANCE SHEET
 JUNE 30, 2014

| | Private Purpose Trust - Scholarship Fund | | | |
|---|--|-------------------------|--------------------------------|---------|
| | Umphress- Schollosser Scholarship | Jennings Scholarship | Tobin Coates Scholarship | Total |
| Assets | | | | |
| Cash, cash equivalents, and pooled investments | \$ 16,150 | 2,244 | 185,683 | 204,077 |
| Liabilities | - | - | - | - |
| Net Position | | | | |
| Restricted for scholarships | \$ 16,150 | 2,244 | 185,683 | 204,077 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2014

| | Private Purpose Trust - Scholarship Fund | | | |
|--------------------------------|--|-------------------------|--------------------------------|---------|
| | Umphress- Schlosser Scholarship | Jennings Scholarship | Tobin Coates Scholarship | Total |
| Additions: | | | | |
| Local sources: | | | | |
| Contributions | \$ 400 | - | - | 400 |
| Interest income | 467 | 21 | 11,274 | 11,762 |
| Total additions | 867 | 21 | 11,274 | 12,162 |
| Deductions: | | | | |
| Instruction: | | | | |
| Other: | | | | |
| Scholarships awarded | 1,284 | 300 | 20,000 | 21,584 |
| Change in net position | (417) | (279) | (8,726) | (9,422) |
| Net position beginning of year | 16,567 | 2,523 | 194,409 | 213,499 |
| Net position end of year | \$ 16,150 | 2,244 | 185,683 | 204,077 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST TEN YEARS

| | Modified Accrual Basis | | | | | | | | | |
|-----------------------------|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|
| | Years Ended June 30, | | | | | | | | | |
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Revenues: | | | | | | | | | | |
| Local sources: | | | | | | | | | | |
| Local tax | \$ 3,236,070 | 3,855,518 | 3,789,255 | 3,731,934 | 3,584,988 | 3,594,437 | 3,164,741 | 3,276,124 | 3,020,975 | 2,861,673 |
| Tuition | 144,862 | 149,929 | 95,776 | 143,637 | 134,043 | 154,858 | 172,744 | 119,091 | 171,293 | 163,230 |
| Other | 229,930 | 257,576 | 235,702 | 218,762 | 255,077 | 343,408 | 369,212 | 436,926 | 447,273 | 391,548 |
| Intermediate sources | 1,425 | 630 | 2,969 | 11,000 | 10,980 | 2,411 | 5,690 | 2,088 | - | - |
| State sources | 5,014,872 | 4,417,885 | 4,654,771 | 4,624,384 | 4,179,319 | 4,853,594 | 4,691,460 | 4,294,204 | 4,240,763 | 3,987,537 |
| Federal sources | 258,243 | 388,560 | 469,674 | 758,860 | 638,901 | 378,910 | 228,246 | 167,700 | 182,164 | 171,778 |
| Total | \$ 8,885,402 | 9,070,098 | 9,248,147 | 9,488,577 | 8,803,308 | 9,327,618 | 8,632,093 | 8,296,133 | 8,062,468 | 7,575,766 |
| Expenditures: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular | \$ 3,063,125 | 2,834,140 | 3,002,165 | 3,108,660 | 3,126,815 | 3,339,751 | 3,219,236 | 3,044,310 | 3,063,337 | 2,876,442 |
| Special | 917,608 | 1,129,172 | 1,090,830 | 1,092,652 | 999,148 | 1,034,036 | 1,061,646 | 823,207 | 855,427 | 1,060,881 |
| Other | 1,359,157 | 1,281,660 | 1,243,816 | 1,256,247 | 1,159,446 | 1,000,630 | 927,978 | 874,839 | 872,374 | 727,393 |
| Support services: | | | | | | | | | | |
| Student | 145,147 | 111,671 | 99,021 | 91,613 | 72,204 | 77,367 | 102,857 | 99,401 | 162,948 | 98,931 |
| Instructional staff | 124,951 | 150,167 | 115,867 | 75,841 | 101,582 | 108,583 | 136,885 | 135,260 | 210,439 | 108,053 |
| Administration | 951,978 | 1,075,792 | 983,877 | 885,941 | 1,017,501 | 990,821 | 997,008 | 1,033,717 | 854,325 | 850,644 |
| Operation and maintenance | | | | | | | | | | |
| of plant | 601,467 | 566,205 | 502,002 | 595,279 | 583,119 | 595,505 | 668,270 | 684,346 | 530,425 | 544,323 |
| Transportation | 433,062 | 347,737 | 324,646 | 335,540 | 308,494 | 283,436 | 395,848 | 321,682 | 275,014 | 367,899 |
| Capital outlay | 370,640 | 322,896 | 28,368 | 150,267 | 47,582 | 118,304 | 139,665 | 1,570,588 | 6,042,327 | 895,229 |
| Long-term debt: | | | | | | | | | | |
| Principal | 350,000 | 1,100,000 | 710,911 | 672,194 | 633,472 | 623,519 | 604,839 | 601,023 | 387,865 | 183,150 |
| Interest and fiscal charges | 214,948 | 359,472 | 229,750 | 275,573 | 355,589 | 361,824 | 385,912 | 404,039 | 496,026 | 85,512 |
| Other expenditures: | | | | | | | | | | |
| AEA flow-through | 290,695 | 284,348 | 285,334 | 320,669 | 321,489 | 296,982 | 278,868 | 261,144 | 253,475 | 248,379 |
| Total | \$ 8,822,778 | 9,563,260 | 8,616,587 | 8,860,476 | 8,726,441 | 8,830,758 | 8,919,012 | 9,853,556 | 14,003,982 | 8,046,836 |

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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Colfax-Mingo Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Colfax-Mingo Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Colfax-Mingo Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weakness and a significant deficiency.

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 described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies, in internal control which 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 I of the accompanying Schedule of Findings as item I-B-14 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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

Colfax-Mingo Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Colfax-Mingo Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

December 30, 2014
Newton, Iowa

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling.
- 2) Investments - investing, detailed recordkeeping, and custody of investments.
- 3) Receipts - collecting, recording, journalizing, posting and reconciling.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Capital assets - recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, and posting.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The District recognizes there is internal audit and oversight of the District's financial activity. This may allow an individual to have access to the accounting system and knowledge to perform any and all functions as needed to ensure accurate reporting and compliance. Internal controls are in place to ensure no one individual controls cash transactions from start to finish. Additional oversight by a board committee will be implemented.

Conclusion - Response accepted.

I-B-14 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however the General Fund, School Nutrition, and Student Activity Funds had instances of purchase orders that were completed after the product had been ordered.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District utilizes a web-based purchase order system to process each purchase order, which requires administrative approval. These purchase orders are posted to system, which is useful for budgeting and monitoring outstanding obligations. Transactions that must be expedited are approved manually by administration, followed with a system-generated purchase order. The District will continue to monitor this area for improvement.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted in any of the functional areas.

II-B-14 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - No business transactions between the District and District officials were noted.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-14 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, 2014, 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 2014 audit:

| | | | |
|------------------------------------|----|----------------|-------------------|
| Beginning balance | | \$ | 551,489 |
| Revenues: | | | |
| Sales tax revenues | | | 642,611 |
| Other local revenues | | | 13 |
| | | | <u>1,194,113</u> |
| Expenditures/transfers out: | | | |
| School infrastructure construction | \$ | 365,514 | |
| Equipment | | <u>154,313</u> | <u>519,827</u> |
| Ending balance | | | <u>\$ 674,286</u> |

For the year ended June 30, 2014, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- II-M-14 Financial Condition - We noted during our audit that the Special Revenue, Student Activity Fund had a deficit unassigned fund balance of \$20,737 at June 30, 2014. We also noted the School Nutrition Fund had a deficit unrestricted net position of \$100,824 and a deficit total net position of \$41,614.

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 these funds. 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 strive to reduce expenditures and increase revenues to address the Activity Fund deficit and the School Nutrition Fund deficit.

Conclusion - Response accepted.

II-N-14 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 District has reduced to the number of outstanding checks, and will continue to address the remaining checks during the 2015 fiscal year.

Conclusion - Response accepted.

II-O-14 Interfund Loans - We noted during our audit that the District has an interfund loan which was on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2014, the District has a loan between the Nutrition Fund and the General Fund that has not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 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 loan to be in compliance with the declaratory order issued by the Iowa Department of Education to the Auditor of State and Iowa Code Chapter 74.

Response - The District is addressing the School Nutrition Fund to find alternatives to reduce expenditures and increase revenues. The District has paid \$5,000 toward the outstanding loan during the 2014 fiscal year.

Conclusion - Response accepted.

II-P-14 Officiating Contracts - During our audit we noted instances of Student Activity Fund officiating contracts which were not signed by the Board President. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will have all contracts signed by the Board President.

Conclusion - Response accepted.