

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2004

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

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MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2004

Name	Title	Term Expires
<b>Board of Education</b>		
(Before September 2003 Election)		
Julie Edmonds	Board President	2004
Sheri Spence	Board Member	2003
Kathryn Whisler	Board Member	2003
Frank Hedges	Board Member	2004
Melodee Kennedy	Board Member	2004
Michael Brown	Board Member	2005
Richard PfiEFF	Board Member	2005
(After September 2003 Election)		
Julie Edmonds	Board President	2004
Frank Hedges	Board Member	2004
Melodee Kennedy	Board Member	2004
Michael Brown	Board Member	2005
Richard PfiEFF	Board Member	2005
Sheri Spence	Board Member	2006
Kathryn Whisler	Board Member	2006
<b>School Officials</b>		
Fred Whipple	Superintendent	2004
Pat Heitmeier	District Secretary/Treasurer	2004
Brian Gruhn	Attorney	2004

# KAY L. CHAPMAN, CPA PC

119 Sycamore Street, Suite 100

Muscatine, Iowa 52761

563-264-1385

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Mediapolis Community School District  
Mediapolis, Iowa

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Mediapolis Community School District, Mediapolis Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Mediapolis Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Mediapolis Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated November 16, 2004 on my consideration of Mediapolis Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 40 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mediapolis Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.



Kay L. Chapman, CPA PC  
November 16, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Mediapolis 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### 2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,193,551 in fiscal 2003 to \$6,586,895 in fiscal 2004, while General Fund expenditures increased from \$6,036,023 in fiscal 2003 to \$6,358,615 in fiscal 2004. The District's General Fund balance increased from \$(283,425) in fiscal 2003 to \$340,644 in fiscal 2004, a 221% increase.
- During the year ended June 30, 2004, the State of Iowa imposed a 2.5 percent reduction in State Foundation aid, which reduced the General Fund revenues by \$82,581. Since the budget cut occurred in November 2003, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District responded to the reduction by using a portion of the District's accumulated cash reserve levy.
- Due to larger numbers of students in Special Education Programs, one teacher at the elementary level was added at the beginning of the school year and one teacher at the secondary level was added at the beginning of the second semester. The total cost of the elementary position was \$31,700 and the high school position was \$12,972.
- The following efficiencies in the amount of \$136,620 were approved in the spring of 2003 and implemented beginning July 1, 2003:
  - Reductions in the cleaning services contract with FBG, Inc. saved approximately \$25,000
  - Reduction of staff in the Art Department resulted in a \$16,000 savings
  - Reduction of Administrative Staff resulted in savings of approximately \$81,500
  - Elimination of the Summer FFA Program resulted in savings of approximately \$9,000
  - Elimination of Assistant Golf Coach position resulted in savings of \$819
  - Elimination of one Assistant MS Track Coach position resulted in savings of \$1,024
  - Elimination of one Assistant HS Football Coach position resulted in savings of \$1,843
  - Elimination of one Assistant HS Track Coach position resulted in savings of \$1,434
- The General Fund received a loan repayment from the Capital Projects in the amount of \$393,000 with an interest payment of \$48,829. This was made possible when Bankers Trust reviewed the collections of one-cent sales tax monies. It was determined that collections were greater than the original projections. The excess funds were reverted to the District to be used on repayment of the loan from the

General Fund and repairs and maintenance of the MS/HS building which will include roofing projects in three areas.

- Enrollment was down in September, 2003 to 907.6 from 924.5 in the previous year. This is a 2.8% decrease.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mediapolis 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 Mediapolis Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

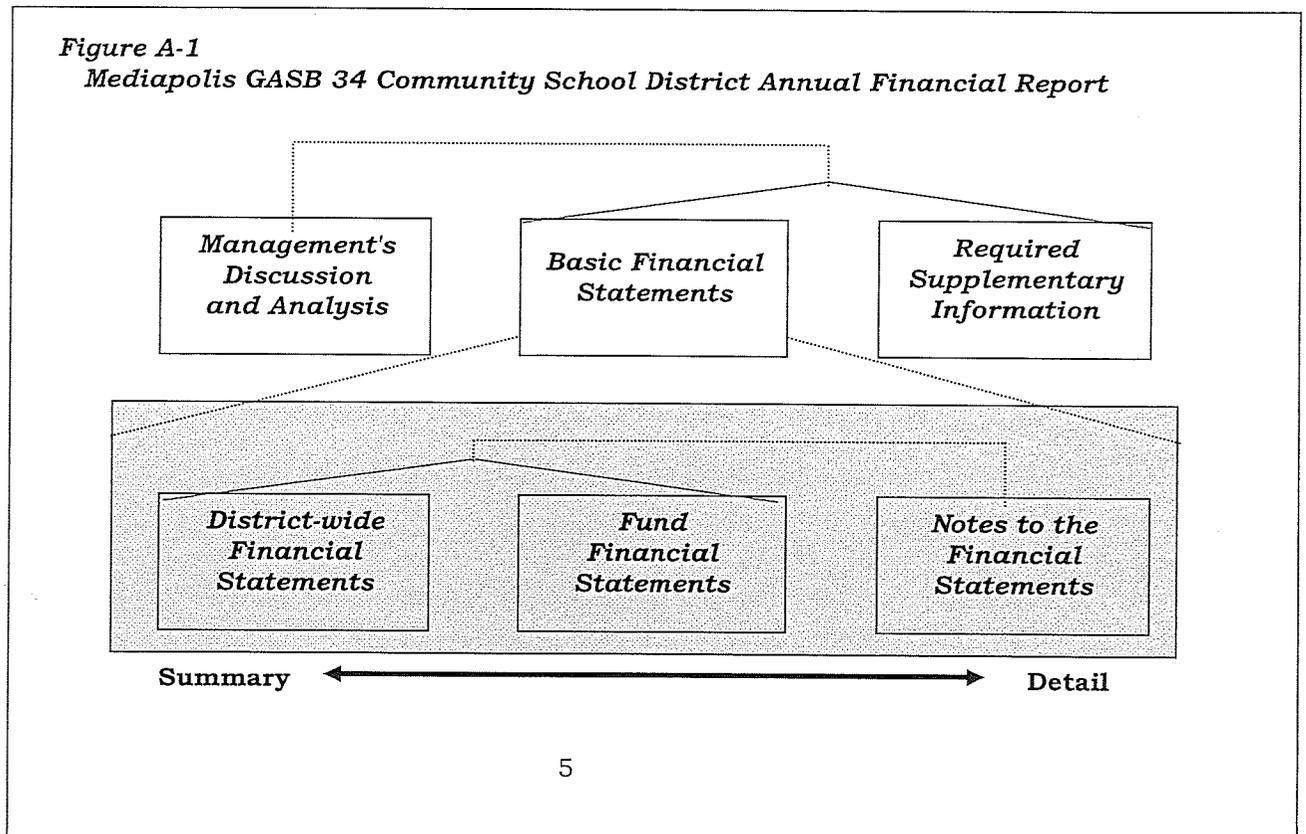


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

#### *Fund Financial Statements*

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

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

The District has two 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, Debt Service Fund and 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 Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one Internal Service fund, the Flex Spending Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3 Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2003-2004</u>
Current and other assets	\$ 4,104,801	\$ 6,268,405	\$ 55,443	\$ 84,505	\$ 4,160,244	\$ 6,352,910	-34.51%
Capital assets	<u>9,660,342</u>	<u>9,924,513</u>	<u>81,497</u>	<u>54,233</u>	<u>9,741,839</u>	<u>9,978,746</u>	-2.37%
Total assets	<u>13,765,143</u>	<u>16,192,918</u>	<u>136,940</u>	<u>138,738</u>	<u>13,902,083</u>	<u>16,331,656</u>	-14.88%
Long-term obligations	3,104,564	3,913,243	-	-	3,104,564	3,913,243	-20.67%
Other liabilities	<u>2,679,665</u>	<u>5,501,703</u>	<u>4,623</u>	<u>1,548</u>	<u>2,684,288</u>	<u>5,503,251</u>	-51.22%
Total liabilities	<u>5,784,229</u>	<u>9,414,946</u>	<u>4,623</u>	<u>1,548</u>	<u>5,788,852</u>	<u>9,416,494</u>	-38.52%
Net assets							
Invested in capital assets, net of related debt	6,610,342	6,089,513	81,497	54,233	6,691,839	6,143,746	8.92%
Restricted	1,042,729	1,054,784	-	-	1,042,729	1,054,784	-1.14%
Unrestricted	<u>327,843</u>	<u>(366,325)</u>	<u>50,820</u>	<u>82,957</u>	<u>378,663</u>	<u>(283,368)</u>	-233.63%
Total net assets	<u>\$ 7,980,914</u>	<u>\$ 6,777,972</u>	<u>\$ 132,317</u>	<u>\$ 137,190</u>	<u>\$ 8,113,231</u>	<u>\$ 6,915,162</u>	17.33%

The District's combined net assets increased by approximately 17.3%, or \$1,198,069, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$12,055, or approximately 1.1% from the prior year. The decrease was primarily a result of decreased fund balance in the Capital Projects Fund due to repayment of a construction loan to General Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$662,031, or approximately 233%. The School District's improved financial position is the product of many

factors. Growth during the year is directly related to several years of budget efficiencies and increases in the cash reserve levy. Another important factor was the payment of a construction loan by Capital Projects of \$393,000 to General Fund. Bankers Trust reverted excess One Cent Sales Tax fund back to the District which enabled the loan to be paid off.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

	Figure A-4 Change in Net Assets		
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	Total School <u>District</u>
Revenues			
Program revenues			
Charges for service and sales	\$ 919,870	\$ 205,289	\$ 1,125,159
Operating grants, contributions & restricted interest	432,249	121,607	553,856
General revenues			
Property tax	4,051,406	-	4,051,406
Unrestricted state grants	2,934,478	-	2,934,478
Unrestricted investment earnings	107,638	1,294	108,932
Other	53,230	-	53,230
Loss on sale of capital assets	<u>(80,316)</u>	<u>-</u>	<u>(80,316)</u>
Total revenues	<u>8,418,555</u>	<u>328,190</u>	<u>8,746,745</u>
Program expenses			
Governmental activities			
Instruction	4,473,182	-	4,473,182
Support services	1,987,569	-	1,987,569
Non-instructional programs	3,187	333,063	336,250
Other expenses	<u>751,675</u>	<u>-</u>	<u>751,675</u>
Total expenses	<u>7,215,613</u>	<u>333,063</u>	<u>7,548,676</u>
Change in net assets	<u>\$ 1,202,942</u>	<u>\$ (4,873)</u>	<u>\$ 1,198,069</u>

Property tax and unrestricted state grants account for 80% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$8,418,555 and expenses were \$7,215,613. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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.

Figure A-5

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 4,473,182	\$ 3,380,271
Support services	1,987,569	1,985,608
Non-instructional programs	3,187	3,187
Other expenses	<u>751,675</u>	<u>494,428</u>
Total expenses	<u>\$ 7,215,613</u>	<u>\$ 5,863,494</u>

- The cost financed by users of the District’s programs was \$919,870.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$432,249.
- The net cost of governmental activities was financed with \$4,051,406 in property and other taxes and \$2,934,478 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$328,190 and expenses were \$333,063. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District did not increase lunch prices. The Board was aware the Nutrition Fund would not generate adequate revenue to cover the costs. Other student fees had increased significantly and the Board did not want to increase lunch costs. Lunch prices will be reviewed in the future.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, Mediapolis 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 a combined fund balance of \$1,452,083, well above last year’s ending fund balances of \$799,850. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to strict budget efficiencies implemented and the repayment of the construction loan from Capital Projects to General Fund.

**Governmental Fund Highlights**

- The District’s General Fund financial position showed improvement over the previous year. Repayment of the outstanding construction loan and use of cash reserve levy helped to boost revenue; while expenditures were decreased by stringent budget efficiencies.

- The General Fund balance increased from \$(283,425) to \$340,644, due in part to the negotiated salary and benefits settlement, budget efficiencies and the repayment of the construction loan.
- The Debt Service Fund balance increased from \$60,651 in fiscal 2003 to \$62,574 in fiscal 2004. The increase is due to interest earned on accumulated monies prior to payments being made.
- The Capital Projects Fund balance decreased due to payment on the MS/HS Renovation Project which is paid with local option sales tax funds.

### **Proprietary Fund Highlights**

Proprietary Fund net assets decreased from \$137,190 at June 30, 2003 to \$132,317 at June 30, 2004, representing a decrease of approximately 4%. The decrease is attributed to lunch prices not being increased. The Board will monitor this situation.

### **BUDGETARY HIGHLIGHTS**

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 Internal Service Funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a GAAP basis and was not amended in fiscal year 2004.

The District's receipts were \$82,039 less than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving less in state aid 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 an amount less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to GAAP adjusting entries required at year-end without sufficient time to amend the certified budget.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2004, the District had invested \$9,741,839, 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 represents a net decrease of 3% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$308,912.

The original cost of the District's capital assets was \$13,784,887. Governmental funds account for \$13,621,713, with the remainder of \$163,174 accounted for in the Proprietary, School Nutrition Fund.

The decrease in Capital Assets is attributed to the District getting rid of two relocatable classrooms no longer in use.

Figure A-6 Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004-2003</u>
Land	\$ 65,743	\$ 65,743	\$ -	\$ -	\$ 65,743	\$ 65,743	0.00%
Buildings and improvements	9,060,650	9,353,949	-	-	9,060,650	9,353,949	-3.14%
Improvements, other than buildings	232,594	259,912	-	-	232,594	259,912	-10.51%
Furniture and equipment	<u>301,355</u>	<u>244,909</u>	<u>81,497</u>	<u>87,656</u>	<u>382,852</u>	<u>332,565</u>	15.12%
Totals	<u>\$ 9,660,342</u>	<u>\$ 9,924,513</u>	<u>\$81,497</u>	<u>\$87,656</u>	<u>\$ 9,741,839</u>	<u>\$10,012,169</u>	-2.70%

### Long-Term Debt

At June 30, 2004, the District had \$3,104,564 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 21% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7  
Outstanding Long-term Obligations

	Total		Total
	School District		Change
	<u>2004</u>	<u>2003</u>	<u>2004-2003</u>
General obligation bonds	\$ 970,000	\$ 1,380,000	-29.71%
Revenue bonds	2,080,000	2,455,000	-15.27%
Compensated absences	5,583	5,289	5.56%
Early retirement	<u>48,981</u>	<u>72,954</u>	0.00%
Total	<u>\$ 3,104,564</u>	<u>\$ 3,913,243</u>	-20.67%

## **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:

- Several Science rooms need remodeling and updating. This area contains asbestos and will need to be removed prior to updating.
- The District continues to experience a small decline in enrollment.
- Two buses will need to be replaced in 2004-2005. Several more buses will need replacement in the following years.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pat Heitmeier, District Secretary/Treasurer, Mediapolis Community School District, 725 N. Northfield Street, Mediapolis, Iowa 52637.

## Basic Financial Statements

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2004

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents			
ISCAP	\$ 1,958,401	\$ -	\$ 1,958,401
Other	1,975,721	46,548	2,022,269
Receivables			
Property tax			
Delinquent	22,169	-	22,169
Succeeding year	2,850,825	-	2,850,825
Accrued interest	3,341	-	3,341
Accounts receivable	6,602	-	6,602
Due from other governments	138,567	-	138,567
Inventories	-	8,895	8,895
Capital assets, net of accumulated depreciation	9,660,342	81,497	9,741,839
Total assets	16,615,968	136,940	16,752,908
<b>LIABILITIES</b>			
Accounts payable	61,062	360	61,422
Salaries and benefits payable	579,313	4,263	583,576
Due to other governments	38,699	-	38,699
Accrued interest payable	27,041	-	27,041
Deferred revenue - succeeding year property tax	2,850,825	-	2,850,825
ISCAP warrants payable	1,947,000	-	1,947,000
ISCAP accrued interest payable	5,066	-	5,066
ISCAP unamortized premium payable	21,484	-	21,484
Long-term liabilities			
Portion due within one year			
Bonds payable	425,000	-	425,000
Revenue bonds payable	395,000	-	395,000
Early retirement	33,910	-	33,910
Compensated absences	5,583	-	5,583
Portion due after one year			
Bonds payable	545,000	-	545,000
Revenue bonds payable	1,685,000	-	1,685,000
Early retirement	15,071	-	15,071
Total liabilities	8,635,054	4,623	8,639,677

See notes to financial statements and Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2004

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 6,610,342	\$ 81,497	\$ 6,691,839
Restricted for			
Physical plant and equipment levy	108,718	-	108,718
Other special revenue purposes	98,412	-	98,412
Capital projects	800,066	-	800,066
Debt service	35,533	-	35,533
Unrestricted	<u>327,843</u>	<u>50,820</u>	<u>378,663</u>
Total net assets	<u>\$ 7,980,914</u>	<u>\$ 132,317</u>	<u>\$ 8,113,231</u>

See notes to financial statements and Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2004

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Governmental activities							
Instruction							
Regular instruction	\$ 3,002,178	\$ 327,967	\$ 293,885	\$ -	\$ (2,380,326)	\$ -	\$ (2,380,326)
Special instruction	860,062	73,238	120,886	-	(665,938)	-	(665,938)
Other instruction	610,942	259,873	17,062	-	(334,007)	-	(334,007)
	<u>4,473,182</u>	<u>661,078</u>	<u>431,833</u>	<u>-</u>	<u>(3,380,271)</u>	<u>-</u>	<u>(3,380,271)</u>
Support services							
Student services	165,572	-	-	-	(165,572)	-	(165,572)
Instructional staff services	149,222	-	-	-	(149,222)	-	(149,222)
Administration services	800,371	-	-	-	(800,371)	-	(800,371)
Operation and maintenance of plant services	465,030	855	-	-	(464,175)	-	(464,175)
Transportation services	407,304	690	416	-	(406,198)	-	(406,198)
Central support services	70	-	-	-	(70)	-	(70)
	<u>1,987,569</u>	<u>1,545</u>	<u>416</u>	<u>-</u>	<u>(1,985,608)</u>	<u>-</u>	<u>(1,985,608)</u>
Non-instructional programs	<u>3,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,187)</u>	<u>-</u>	<u>(3,187)</u>
Other expenditures							
Facilities acquisition	88,681	-	-	-	(88,681)	-	(88,681)
Long-term debt interest	157,606	-	-	-	(157,606)	-	(157,606)
AEA flowthrough	257,247	257,247	-	-	-	-	-
Depreciation (unallocated) *	248,141	-	-	-	(248,141)	-	(248,141)
	<u>751,675</u>	<u>257,247</u>	<u>-</u>	<u>-</u>	<u>(494,428)</u>	<u>-</u>	<u>(494,428)</u>
Total governmental activities	<u>7,215,613</u>	<u>919,870</u>	<u>432,249</u>	<u>-</u>	<u>(5,863,494)</u>	<u>-</u>	<u>(5,863,494)</u>

See notes to financial statements and Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2004

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business Type activities							
Non-instructional programs							
Nutrition services	\$ 333,063	\$ 205,289	\$ 121,607	\$ -	\$ -	\$ (6,167)	\$ (6,167)
Total business type activities	<u>333,063</u>	<u>205,289</u>	<u>121,607</u>	<u>-</u>	<u>-</u>	<u>(6,167)</u>	<u>(6,167)</u>
Total	<u>\$ 7,548,676</u>	<u>\$ 1,125,159</u>	<u>\$ 553,856</u>	<u>\$ -</u>	<u>(5,863,494)</u>	<u>(6,167)</u>	<u>(5,869,661)</u>
 <b>General Revenues</b>							
Property tax levied for							
General purposes					2,620,252	-	2,620,252
Capital projects					973,994	-	973,994
Debt service					457,160	-	457,160
Unrestricted state grants					2,934,478	-	2,934,478
Unrestricted investment earnings					107,638	1,294	108,932
Other					53,230	-	53,230
Loss on sale of capital assets					(80,316)	-	(80,316)
Total general revenues					<u>7,066,436</u>	<u>1,294</u>	<u>7,067,730</u>
Change in net assets					1,202,942	(4,873)	1,198,069
Net assets, beginning of year, as restated					<u>6,777,972</u>	<u>137,190</u>	<u>6,915,162</u>
Net assets, end of year					<u>\$ 7,980,914</u>	<u>\$ 132,317</u>	<u>\$ 8,113,231</u>

\* This amount excludes the depreciation included in the direct expenses of the various programs.  
See notes to financial statements and Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2004

Exhibit C

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and pooled investments					
ISCAP	\$ 1,958,401	\$ -	\$ -	\$ -	\$ 1,958,401
Other	909,227	736,145	59,114	271,141	1,975,627
Receivables					
Property tax					
Delinquent	16,553	-	3,460	2,156	22,169
Succeeding year	2,116,396	-	456,495	277,934	2,850,825
Accounts receivable	6,602	-	-	-	6,602
Accrued interest					
ISCAP	3,341	-	-	-	3,341
Due from other funds	48,829	-	-	-	48,829
Due from other governments	25,817	112,750	-	-	138,567
Total assets and other debits	<u>\$ 5,085,166</u>	<u>\$ 848,895</u>	<u>\$ 519,069</u>	<u>\$ 551,231</u>	<u>\$ 7,004,361</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 36,564	\$ -	\$ -	\$ 24,498	\$ 61,062
Salaries and benefits payable	579,313	-	-	-	579,313
Due to other funds	-	48,829	-	-	48,829
Due to other governments	38,699	-	-	-	38,699
ISCAP warrants payable	1,947,000	-	-	-	1,947,000
ISCAP accrued interest payable	5,066	-	-	-	5,066
ISCAP unamortized premium	21,484	-	-	-	21,484
Deferred revenue					
Succeeding year property tax	2,116,396	-	456,495	277,934	2,850,825
Total liabilities	<u>4,744,522</u>	<u>48,829</u>	<u>456,495</u>	<u>302,432</u>	<u>5,552,278</u>
Fund balances					
Reserved for					
Debt service	-	-	62,574	-	62,574
Unreserved, undesignated	340,644	800,066	-	248,799	1,389,509
Total fund balances	<u>340,644</u>	<u>800,066</u>	<u>62,574</u>	<u>248,799</u>	<u>1,452,083</u>
Total liabilities and fund balances	<u>\$ 5,085,166</u>	<u>\$ 848,895</u>	<u>\$ 519,069</u>	<u>\$ 551,231</u>	<u>\$ 7,004,361</u>

See notes to financial statements and Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2004

Exhibit D

Total fund balances of governmental funds	\$ 1,452,083
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,660,342
The Internal Service Fund is used by management to charge the costs of funding the District's flexible benefit plan. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	94
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.	(27,041)
Long-term liabilities, including early retirement, compensated absences, bonds payable and revenue bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,104,564)</u>
Net assets of governmental activities	<u>\$ 7,980,914</u>

See notes to financial statements and Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2004

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues					
Local sources					
Local tax	\$ 2,477,546	\$ 749,066	\$ 456,778	\$ 365,561	\$ 4,048,951
Tuition	334,362	-	-	-	334,362
Other	149,178	33,286	1,033	302,843	486,340
State sources	3,450,883	-	382	238	3,451,503
Federal sources	174,926	-	-	-	174,926
Total revenues	<u>6,586,895</u>	<u>782,352</u>	<u>458,193</u>	<u>668,642</u>	<u>8,496,082</u>
Expenditures					
Current					
Instruction					
Regular instruction	2,948,760	-	-	93,876	3,042,636
Special instruction	860,062	-	-	-	860,062
Other instruction	336,136	-	-	261,403	597,539
	<u>4,144,958</u>	<u>-</u>	<u>-</u>	<u>355,279</u>	<u>4,500,237</u>
Support services					
Student services	163,617	-	-	1,955	165,572
Instructional staff services	147,918	-	-	1,304	149,222
Administration services	736,343	52,581	-	9,599	798,523
Operation and maintenance of plant services	478,454	-	-	978	479,432
Transportation services	428,774	-	-	14,469	443,243
Central support services	70	-	-	-	70
	<u>1,955,176</u>	<u>52,581</u>	<u>-</u>	<u>28,305</u>	<u>2,036,062</u>
Non-instructional programs	<u>1,234</u>	<u>-</u>	<u>-</u>	<u>1,953</u>	<u>3,187</u>
Other expenditures					
Facilities acquisition	-	33,055	-	68,137	101,192
Long-term debt					
Principal	-	-	785,000	-	785,000
Interest and fiscal charges	-	-	163,713	-	163,713
AEA flowthrough	257,247	-	-	-	257,247
	<u>257,247</u>	<u>33,055</u>	<u>948,713</u>	<u>68,137</u>	<u>1,307,152</u>
Total expenditures	<u>6,358,615</u>	<u>85,636</u>	<u>948,713</u>	<u>453,674</u>	<u>7,846,638</u>
See notes to financial statements and Independent Auditor's Report.					

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2004

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 228,280	\$ 696,716	\$ (490,520)	\$ 214,968	\$ 649,444
Other financing sources (uses)					
Sale of equipment and materials	2,789	-	-	-	2,789
Interfund operating transfers	393,000	(885,443)	492,443	-	-
Total other financing sources (uses)	<u>395,789</u>	<u>(885,443)</u>	<u>492,443</u>	<u>-</u>	<u>2,789</u>
Net change in fund balances	624,069	(188,727)	1,923	214,968	652,233
Fund balance, beginning of year	<u>(283,425)</u>	<u>988,793</u>	<u>60,651</u>	<u>33,831</u>	<u>799,850</u>
Fund balance, end of year	<u>\$ 340,644</u>	<u>\$ 800,066</u>	<u>\$ 62,574</u>	<u>\$ 248,799</u>	<u>\$ 1,452,083</u>

See notes to financial statements and Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances-Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2004

Exhibit F

**Net change in fund balances - total governmental funds** \$ 652,233  
**Amounts reported for governmental activities in the statement of activities**  
**are different because:**

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

Capital outlays	\$ 113,378	
Depreciation expense	<u>(297,233)</u>	(183,855)

Proceeds from sale of capital assets is recorded as a revenue in the governmental funds, but is recorded as a reduction in the capital asset and accumulated depreciation accounts, with a corresponding loss on sale of capital assets, in the Statement of Net Assets and Statement of Activities. (80,316)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 785,000

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	(294)	
Early retirement	<u>23,973</u>	23,679

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. 6,107

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan. The change in net assets of the Internal Service Fund is reported with governmental activities

<b>Change in net assets of governmental activities</b>	<b>94</b>
	<b><u>\$ 1,202,942</u></b>

See notes to financial statements and Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Funds  
June 30, 2004

Exhibit G

	<u>Business Type</u>	<u>Governmental</u>
	<u>Activity</u>	<u>Activity</u>
	<u>Nonmajor</u>	<u>Internal</u>
	<u>Enterprise</u>	<u>Service</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 46,548	\$ 94
Inventories	8,895	-
Capital assets, net of accumulated depreciation	<u>81,497</u>	<u>-</u>
Total assets	<u>136,940</u>	<u>94</u>
<b>LIABILITIES</b>		
Accounts payable	360	-
Accrued salaries and benefits payable	<u>4,263</u>	<u>-</u>
Total liabilities	<u>4,623</u>	
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	81,497	-
Unreserved retained earnings	<u>50,820</u>	<u>94</u>
Total net assets	<u>\$ 132,317</u>	<u>\$ 94</u>

See notes to financial statements and Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2004

Exhibit H

	Business Type <u>Activity</u> Nonmajor <u>Enterprise</u>	Governmental <u>Activity</u> Internal <u>Service</u>
Operating revenue		
Local sources		
Charges for service	<u>\$ 205,289</u>	<u>\$ 5,761</u>
Operating expenses		
Non-instructional programs		
Salaries	112,037	-
Benefits	56,019	-
Purchased services	2,776	5,667
Supplies	150,016	-
Equipment repairs	536	-
Depreciation	<u>11,679</u>	<u>-</u>
Total operating expenses	<u>333,063</u>	<u>5,667</u>
Operating income (loss)	<u>(127,774)</u>	<u>94</u>
Non-operating revenues		
Interest income	1,294	-
State sources	5,118	-
Federal sources	<u>116,489</u>	<u>-</u>
Total non-operating revenues	<u>122,901</u>	<u>-</u>
Change in net assets	(4,873)	94
Net assets, beginning of year	<u>137,190</u>	<u>-</u>
Net assets, end of year	<u>\$ 132,317</u>	<u>\$ 94</u>

See notes to financial statements and Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2004

Exhibit I

	<u>Business Type</u>	<u>Governmental</u>
	<u>Activity</u>	<u>Activity</u>
	<u>Nonmajor</u>	<u>Internal</u>
	<u>Enterprise</u>	<u>Service</u>
Cash flows from operating activities		
Cash received from sale of lunches and breakfasts	\$ 205,289	\$ -
Cash received from miscellaneous operating activities	-	5,761
Cash payments to employees for services	(165,214)	-
Cash payments to suppliers for goods and services	<u>(125,128)</u>	<u>(5,667)</u>
Net cash provided by (used in) operating activities	<u>(85,053)</u>	<u>94</u>
Cash flows from non-capital financing activities		
State grants received	5,118	-
Federal grants received	<u>94,530</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>99,648</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>(5,520)</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>1,294</u>	<u>-</u>
Net increase in cash and cash equivalents	10,369	94
Cash and cash equivalents, beginning of year	<u>36,179</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 46,548</u>	<u>\$ 94</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>		
Operating income (loss)	\$ (127,774)	\$ 94
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	11,679	-
Commodities used	21,959	-
Decrease in inventories	6,008	-
Increase in accounts payable	233	-
Increase in salaries and benefits payable	<u>2,842</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (85,053)</u>	<u>\$ 94</u>

**Non-cash investing, capital and financing activities**

During the year ended June 30, 2004, the District received \$21,959 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2004

**Note 1. Summary of Significant Accounting Policies**

The Mediapolis Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. The geographic area served includes the City of Mediapolis, Iowa, and the agricultural territory in Des Moines 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, Mediapolis 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 Mediapolis 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 does 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 County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 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 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports no major proprietary funds. However, the District reports a nonmajor proprietary fund. The Internal Service, Flex Spending Fund is utilized to account for employee flexible benefits.

#### C. Measurement Focus and Basis of Accounting

The government-wide, and proprietary 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

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, compensated absences and early retirement 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for 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 governmental funds is 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 year 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 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

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, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal

maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,500
Buildings	\$ 1,500
Improvements other than buildings	\$ 1,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 1,500

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 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.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Early Retirement - Certified District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2004. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, expenditures exceeded the amounts budgeted in the Non-instructional Programs function; however, the District did not exceed its General Fund unspent authorized budget.

#### **Note 2. Cash and Pooled Investments**

The District's deposits at June 30, 2004, 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; 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.

The District had no investments at June 30, 2004.

**Note 3. Due From and Due To Other Funds**

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 48,829

The Capital Projects Fund owes the General Fund for interest on an interfund loan. The loan was repaid during fiscal year 2004, but the interest had not been paid as of June 30, 2004.

**Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects	\$ 393,000
Debt Service	Capital Projects	<u>492,443</u>
Total		<u>\$ 885,443</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Capital Projects Fund to the General Fund was to repay a construction loan made from General Fund to Capital Projects Fund in a prior year.

**Note 5. Iowa Schools Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2003-04B	1/30/04	1/28/05	\$ 614,154	\$ 3,341	\$ 610,000	\$ 5,066	\$ 2,940
2004-05A	6/30/04	6/30/05	<u>1,344,247</u>	<u>-</u>	<u>1,337,000</u>	<u>-</u>	<u>18,544</u>
			<u>\$ 1,958,401</u>	<u>\$ 3,341</u>	<u>\$ 1,947,000</u>	<u>\$ 5,066</u>	<u>\$ 21,484</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

<u>Series</u>	<u>Balance, Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance, End of Year</u>
2003-04B	\$ -	\$ 774,000	\$ 774,000	\$ -

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2003-04A	2.000%	2.6030%
2003-04B	2.000%	1.3920%
2004-05A	3.000%	2.4600%

#### Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 65,743	\$ -	\$ -	\$ 65,743
Total capital assets, not being depreciated	65,743	-	-	65,743
Capital assets being depreciated:				
Buildings and improvements	12,052,151	6,190	(136,903)	11,921,438
Improvements other than buildings	592,529	-	-	592,529
Furniture and equipment	1,001,815	107,188	(67,000)	1,042,003
Total capital assets being depreciated	13,646,495	113,378	(203,903)	13,555,970
Less accumulated depreciation for:				
Buildings and improvements	2,698,202	219,173	(56,587)	2,860,788
Improvements other than buildings	332,617	27,318	-	359,935
Furniture and equipment	756,906	50,742	(67,000)	740,648
Total accumulated depreciation	3,787,725	297,233	(123,587)	3,961,371
Total capital assets being depreciated, net	9,858,770	(183,855)	(80,316)	9,594,599
Governmental activities capital assets, net	\$ 9,924,513	\$(183,855)	\$(80,316)	\$ 9,660,342

Business-type activities

Furniture and equipment	\$ 157,654	\$ 5,520	\$ -	\$ 163,174
Less accumulated depreciation	<u>69,998</u>	<u>11,679</u>	<u>-</u>	<u>81,677</u>
Business-type activities capital assets, net	<u>\$ 87,656</u>	<u>\$ (6,159)</u>	<u>\$ -</u>	<u>\$ 81,497</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 3,706
Other	13,403
Support services	
Administration	2,454
Operation and maintenance of plant	1,348
Transportation	28,181
Unallocated depreciation	<u>248,141</u>
Total governmental activities depreciation expense	<u>\$ 297,233</u>

**Business-type activities**

Food services	<u>\$ 11,679</u>
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During the year ended June 30, 2004, the District hired an outside company to perform a physical inventory of its capital assets. Also during the year ended June 30, 2004 the District changed its criteria for determining capitalized assets. Prior to the fiscal year ended June 30, 2004 the District included all assets costing more than \$500 in the General Fixed Asset Account Group. However, beginning in FY04 the District only includes items costing in excess of the limits summarized in Note 1, item D as capital assets. Due to these two changes, the District's beginning balance of capital assets, at cost, in the year ended June 30, 2004 is more than the amounts reported on the financial statements of the prior fiscal year by \$2,179,272.

**Note 7. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Early retirement	\$ 72,954	\$ 22,607	\$ (46,580)	\$ 48,981	\$ 33,910
Compensated absences	5,289	5,583	(5,289)	5,583	5,583
General obligation bonds	1,380,000	-	(410,000)	970,000	425,000
Revenue anticipation bonds	<u>2,455,000</u>	<u>-</u>	<u>(375,000)</u>	<u>2,080,000</u>	<u>395,000</u>
Totals	<u>\$ 3,913,243</u>	<u>\$ 28,190</u>	<u>\$(836,869)</u>	<u>\$ 3,104,564</u>	<u>\$ 859,493</u>

### Early retirement

Certified District employees who have 25 years of continuous service and are at least 55 years of age, are eligible for early retirement pay. Employees who participate in the early retirement program shall receive a benefit of \$21,000. Non-certified employees who are 55 years of age or older and have 10 years of service to the District also qualify for early retirement benefits. The retirement benefit for non-certified employees is equal to two and one-half days' pay for each year of service to the District. Early retirement expenditures for the year ended June 30, 2004 totaled \$46,580.

### General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	<u>Bond issue of February 4, 2002</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	\$ 31,495	\$ 425,000	\$ 456,495
2006	16,722	435,000	451,722
2007	<u>4,303</u>	<u>110,000</u>	<u>114,303</u>
Totals	<u>\$ 52,520</u>	<u>\$ 970,000</u>	<u>\$ 1,022,520</u>

### Revenue Anticipation Bonds Payable

On June 1, 2000, the District issued School Infrastructure Sales and Services Tax Revenue Bonds. The proceeds of the bonds are to be used to construct and remodel a new middle school building. The bonds will be repaid by the collection of the local option sales and services tax for school infrastructure. The bonds include Series 2000A in the amount of \$3,875,000 and Series 2000B in the amount of \$400,000. The bonds are secured by a Reserve Fund, which was established under the Bond Resolution. A Sinking Fund has been established into which collections of the local option sales and service tax will be deposited. Interest and principal on the bonds will be paid from the Sinking Fund. Details of the District's June 30, 2004 revenue anticipation bonded indebtedness are as follows:

Year Ending June 30,	Interest	
	<u>Rates</u>	<u>Principal</u>
2005	4.50%	\$ 395,000
2006	4.60%	410,000
2007	4.65%	430,000
2008	4.70%	445,000
2009	4.75%	<u>400,000</u>
Totals		<u>\$ 2,080,000</u>

The Series 2000B bond issuance consisted of a \$400,000 term bond due April 1, 2009 and bore interest at 4.75 percent. This bond was called and redeemed in a prior fiscal year.

#### **Note 8. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$233,113, \$229,516 and \$174,926 respectively, equal to the required contributions for each year.

#### **Note 9. Risk Management**

The 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.

#### **Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$257,247 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 11. Accounting Change and Restatements**

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund				Total
	General	Capital Projects	Debt Service	Nonmajor Special Revenue	
Net assets June 30, 2003, as previously reported	\$ (283,425)	\$ 988,793	\$ 60,651	\$ 33,831	\$ 799,850
GASB Interpretation 6 adjustments	-	-	-	-	-
Net assets July 1, 2003, as restated for governmental funds	<u>\$ (283,425)</u>	<u>\$ 988,793</u>	<u>\$ 60,651</u>	<u>\$ 33,831</u>	799,850
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$3,787,725					9,924,513
Long-term liabilities:					
General obligation bonds				\$ (1,380,000)	
Revenue bonds				(2,455,000)	
Compensated absences				(5,289)	
Early retirement				(72,954)	
Internal Service Fund balance				-	(3,913,243)
Accrued interest payable					<u>(33,148)</u>
Net assets July 1, 2003, as restated					<u>\$ 6,777,972</u>

Required Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual  
 All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 For the Year Ended June 30, 2004

	Governmental	Proprietary	Total	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual				Original	Final	
<b>Revenues</b>								
Local sources	\$ 4,869,653	\$ 212,344	\$ 5,081,997	\$ (5,761)	\$ 5,076,236	\$ 5,001,938	\$ 5,001,938	\$ 74,298
State sources	3,451,503	5,118	3,456,621	-	3,456,621	3,621,373	3,621,373	(164,752)
Federal sources	174,926	116,489	291,415	-	291,415	283,000	283,000	8,415
Total revenues	<u>8,496,082</u>	<u>333,951</u>	<u>8,830,033</u>	<u>(5,761)</u>	<u>8,824,272</u>	<u>8,906,311</u>	<u>8,906,311</u>	<u>(82,039)</u>
<b>Expenditures</b>								
Instruction	4,500,237	-	4,500,237	-	4,500,237	4,985,045	4,985,045	484,808
Support services	2,036,062	-	2,036,062	-	2,036,062	2,220,387	2,220,387	184,325
Non-instructional programs	3,187	338,730	341,917	(5,667)	336,250	328,500	328,500	(7,750)
Other expenditures	1,307,152	-	1,307,152	-	1,307,152	1,441,643	1,441,643	134,491
Total expenditures	<u>7,846,638</u>	<u>338,730</u>	<u>8,185,368</u>	<u>(5,667)</u>	<u>8,179,701</u>	<u>8,975,575</u>	<u>8,975,575</u>	<u>795,874</u>
<b>Excess (deficiency) of revenues</b>								
over (under) expenditures	649,444	(4,779)	644,665	(94)	644,571	(69,264)	(69,264)	713,835
Net other financing sources	<u>2,789</u>	<u>-</u>	<u>2,789</u>	<u>-</u>	<u>2,789</u>	<u>2,500</u>	<u>2,500</u>	<u>289</u>
<b>Net change in fund balance</b>	652,233	(4,779)	647,454	(94)	647,360	(66,764)	(66,764)	714,124
Balance, beginning of year, as restated	799,850	137,190	937,040	-	937,040	1,023,506	1,023,506	(86,466)
Balance, end of year	<u>\$ 1,452,083</u>	<u>\$ 132,411</u>	<u>\$ 1,584,494</u>	<u>\$ (94)</u>	<u>\$ 1,584,400</u>	<u>\$ 956,742</u>	<u>\$ 956,742</u>	<u>\$ 627,658</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2004

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 Internal Service Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a 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 or fund type. 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. The District did not amend the budget during the year.

During the year ended June 30, 2004, District expenditures exceeded the amount budgeted in the non-instructional programs function. However, the General Fund expenditures did not exceed the unspent authorized budget.

Other Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2004

Schedule 1

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and pooled investments	\$ 40,589	\$ 122,122	\$ 108,430	\$ 271,141
Receivables				
Property tax				
Current year delinquent	1,080	-	1,076	2,156
Succeeding year	<u>160,000</u>	<u>-</u>	<u>117,934</u>	<u>277,934</u>
Total assets	<u>\$ 201,669</u>	<u>\$ 122,122</u>	<u>\$ 227,440</u>	<u>\$ 551,231</u>
 <b>LIABILITIES AND FUND EQUITY</b>				
Liabilities				
Accounts payable	\$ -	\$ 23,710	\$ 788	\$ 24,498
Deferred revenue				
Succeeding year property tax	<u>160,000</u>	<u>-</u>	<u>117,934</u>	<u>277,934</u>
Total liabilities	160,000	23,710	118,722	302,432
Fund Equity				
Unreserved fund balances	<u>41,669</u>	<u>98,412</u>	<u>108,718</u>	<u>248,799</u>
Total liabilities and fund equity	<u>\$ 201,669</u>	<u>\$ 122,122</u>	<u>\$ 227,440</u>	<u>\$ 551,231</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2004

Schedule 2

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues				
Local sources				
Local taxes	\$ 140,752	\$ -	\$ 224,809	\$ 365,561
Other	6,848	261,168	34,827	302,843
State sources	119	-	119	238
Total revenues	<u>147,719</u>	<u>261,168</u>	<u>259,755</u>	<u>668,642</u>
Expenditures				
Instruction				
Regular program instruction	93,876	-	-	93,876
Other instruction	-	261,403	-	261,403
Support services				
Student services	1,955	-	-	1,955
Instructional staff services	1,304	-	-	1,304
Administration services	9,599	-	-	9,599
Operation and maintenance of plant services	978	-	-	978
Transportation services	14,469	-	-	14,469
Non-instructional programs	1,953	-	-	1,953
Other expenditures				
Facilities acquisition and construction	-	-	68,137	68,137
Total expenditures	<u>124,134</u>	<u>261,403</u>	<u>68,137</u>	<u>453,674</u>
Excess (deficiency) of revenues over (under) expenditures	23,585	(235)	191,618	214,968
Fund balances, beginning of year	<u>18,084</u>	<u>98,647</u>	<u>(82,900)</u>	<u>33,831</u>
Fund balances, end of year	<u>\$ 41,669</u>	<u>\$ 98,412</u>	<u>\$ 108,718</u>	<u>\$ 248,799</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2004

Schedule 3

Account	Balance, Beginning of		Expenditures	Balance, End of
	Year	Revenues		
Athletics	\$ 43,978	\$ 66,648	\$ 84,980	\$ 25,646
Beverage contract	6,685	4,000	5,071	5,614 ✓
Cheerleaders	589	409	319	679 ✓
Projects	(532)	566	-	34 ✓
Concessions	1,703	44,086	27,033	18,756 ✓
Cheese & Sausage	-	30,974	30,974	-
FFA	2,586	26,256	28,831	11 ✓
FFA Scholarship	-	1,500	307	1,193 ✓
FCCLA	1,197	1,155	1,249	1,103 ✓
Band	(3,198)	8,547	1,408	3,941 ✓
High school band resale	-	627	791	(164) ✓
High school student council	8,877	23,651	27,586	4,942 ✓
Vocal music	231	2,205	1,152	1,284 ✓
National Honor Society	3,202	2,977	2,586	3,593 ✓
Science club	414	277	251	440 ✓
Spanish club	18	79	79	18 ✓
Thespians	2,116	1,465	1,759	1,822 ✓
Yearbook	1,831	6,018	4,183	3,666 ✓
SADD	275	-	275	- ✓
Econ	-	634	634	- ✓
Business Professionals of America	2,257	899	463	2,693 ✓
Art club	2,476	1,655	1,560	2,571 ✓
SEEDS	142	274	128	288 ✓
High school account	1,542	783	160	2,165 ✓
Class of:				
2003	13	-	-	13 ✓
2004	268	755	280	743 ✓
2005	155	2,886	2,466	575 ✓
2006	86	172	11	247 ✓
2007	-	87	52	35 ✓

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2004

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Middle school account	\$ 559	\$ 7,354	\$ 4,693	\$ 3,220
Middle school band	4,380	3,808	4,203	3,985
Middle school student council	2,479	7,827	6,259	4,047
Middle school cheerleaders	(150)	186	36	-
Middle school social fund	(29)	29	-	-
Middle school athletics	10,994	-	11,069	(75)
Middle school student store	492	568	437	623
Elementary	2,738	4,685	5,369	2,054
Elementary art	-	6,104	4,549	1,555
Elementary candy account	(19)	19	-	-
Interest	292	1,003	200	1,095
Totals	<u>\$ 98,647</u>	<u>\$ 261,168</u>	<u>\$ 261,403</u>	<u>\$ 98,412</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Fund Types  
For the Last Four Years

Schedule 4

	Modified Accrual Basis			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues				
Local sources				
Local tax	\$ 4,048,951	\$ 3,821,730	\$ 3,445,213	\$ 3,721,340
Tuition	334,362	333,356	268,190	235,236
Other	486,340	475,118	411,564	587,489
State sources	3,451,503	3,366,057	3,298,423	3,359,983
Federal sources	174,926	201,411	114,966	130,290
Total revenues	<u>\$ 8,496,082</u>	<u>\$ 8,197,672</u>	<u>\$ 7,538,356</u>	<u>\$ 8,034,338</u>
Expenditures				
Instruction				
Regular instruction	\$ 3,042,636	\$ 2,986,782	\$ 2,972,191	\$ 2,743,834
Special instruction	860,062	775,694	712,769	577,850
Other instruction	597,539	657,388	596,303	600,067
Support services				
Student services	165,572	202,007	177,100	189,402
Instructional staff services	149,222	145,203	150,898	109,084
Administration services	798,523	683,532	677,081	680,414
Operation and maintenance of plant services	479,432	497,280	442,732	526,265
Transportation services	443,243	294,371	304,312	290,444
Central support services	70	-	418	90
Non-instructional programs	3,187	3,094	1,206	1,054
Other expenditures				
Facilities acquisition	101,192	367,175	179,202	1,787,014
Long-term debt				
Principal	785,000	1,158,811	2,463,515	706,500
Interest and other charges	163,713	239,400	319,147	340,229
AEA flowthrough	257,247	266,403	267,396	275,902
Total expenditures	<u>\$ 7,846,638</u>	<u>\$ 8,277,140</u>	<u>\$ 9,264,270</u>	<u>\$ 8,828,149</u>

See accompanying Independent Auditor's Report.

# KAY L. CHAPMAN, CPA PC

119 Sycamore Street, Suite 100

Muscatine, Iowa 52761

563-264-1385

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education  
Mediapolis Community School District  
Mediapolis, Iowa

I have audited the financial statements of the Mediapolis Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated November 16, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Mediapolis Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that are described below.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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. Prior year statutory comments have not been resolved. Current year statutory comments are detailed as follows:

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

2. Certified Budget - Expenditures for the year ended June 30, 2004, exceeded the amounts budgeted in the Non-instructional Programs function.

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

Response - We will amend the budget, if necessary, in the future.

Conclusion - Response accepted.

3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. 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.
5. Business Transactions - No business transactions between the District and District officials were noted.
6. 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.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
8. Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely. However, there were errors noted in the ending fund balances for the Capital Projects Fund and School Nutrition Fund.

Recommendation - The District should correct the beginning balances for these funds on their CAR for the year ending June 30, 2005.

Response - We will correct these balances, as recommended.

Conclusion - Response accepted.

## Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mediapolis Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Mediapolis Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Prior year reportable conditions have not been resolved. Current year reportable conditions are as follows:

- A. Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the bank deposits, bank reconciliations, the posting of cash journals, payroll and payroll records are all done by the same person.

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

Response - We will investigate available alternatives and implement as deemed necessary.

Conclusion - Response accepted.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the lack of segregation of duties is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Mediapolis Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Mediapolis Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Kay L. Chapman, CPA PC". The signature is written in a cursive style with a large initial 'K'.

Kay L. Chapman, CPA PC  
November 16, 2004

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2004

This audit was performed by

Kay Chapman, CPA