

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

JUNE 30, 2004

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
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MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2004

Name	Title	Term Expires
Board of Education (Before September, 2003 Election)		
James Hussey	Board President	2005
Dave Skaden	Board Member	2003
Fred Lampe	Board Member	2003
Patti Stutzman	Board Member	2004
Julie Miller	Board Member	2004
Elizabeth E. Curl	Board Member	2005
Bonnie Nisly	Board Member	2005
(After September, 2003 Election)		
James Hussey	Board President	2005
Patti Stutzman	Board Member	2004
Julie Miller	Board Member	2004
Elizabeth E. Curl	Board Member	2005
Bonnie Nisly	Board Member	2005
Dave Skaden	Board Member	2006
Fred Lampe	Board Member	2006
School Officials		
Mark Schneider	Superintendent	2004
Douglas Slaubaugh	District Secretary	2004
Joseph Holland	Attorney	2004

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
563-264-1385

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mid-Prairie Community School District
Wellman, 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 Mid-Prairie Community School District, Wellman, 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 Mid-Prairie 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 8 to the financial statements, during the year ended June 30, 2004, Mid-Prairie 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 August 6, 2004 on my consideration of Mid-Prairie Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 13 and 37 through 39 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 Mid-Prairie 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 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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
August 6, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mid-Prairie 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 \$8,391,778 in fiscal 2003 to \$8,594,792 in fiscal 2004, while General Fund expenditures increased from \$8,220,446 in fiscal 2003 to \$8,615,727 in fiscal 2004. The District's General Fund balance decreased from \$1,068,103 in fiscal 2003 to \$1,047,826 in fiscal 2004, a 2% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$21,637 (CAR Part 5, row 20) in fiscal 2003 to \$13,150 (CAR Part 5, row 20) in fiscal 2004.

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 Mid-Prairie 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 Mid-Prairie 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 non-major Governmental 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.

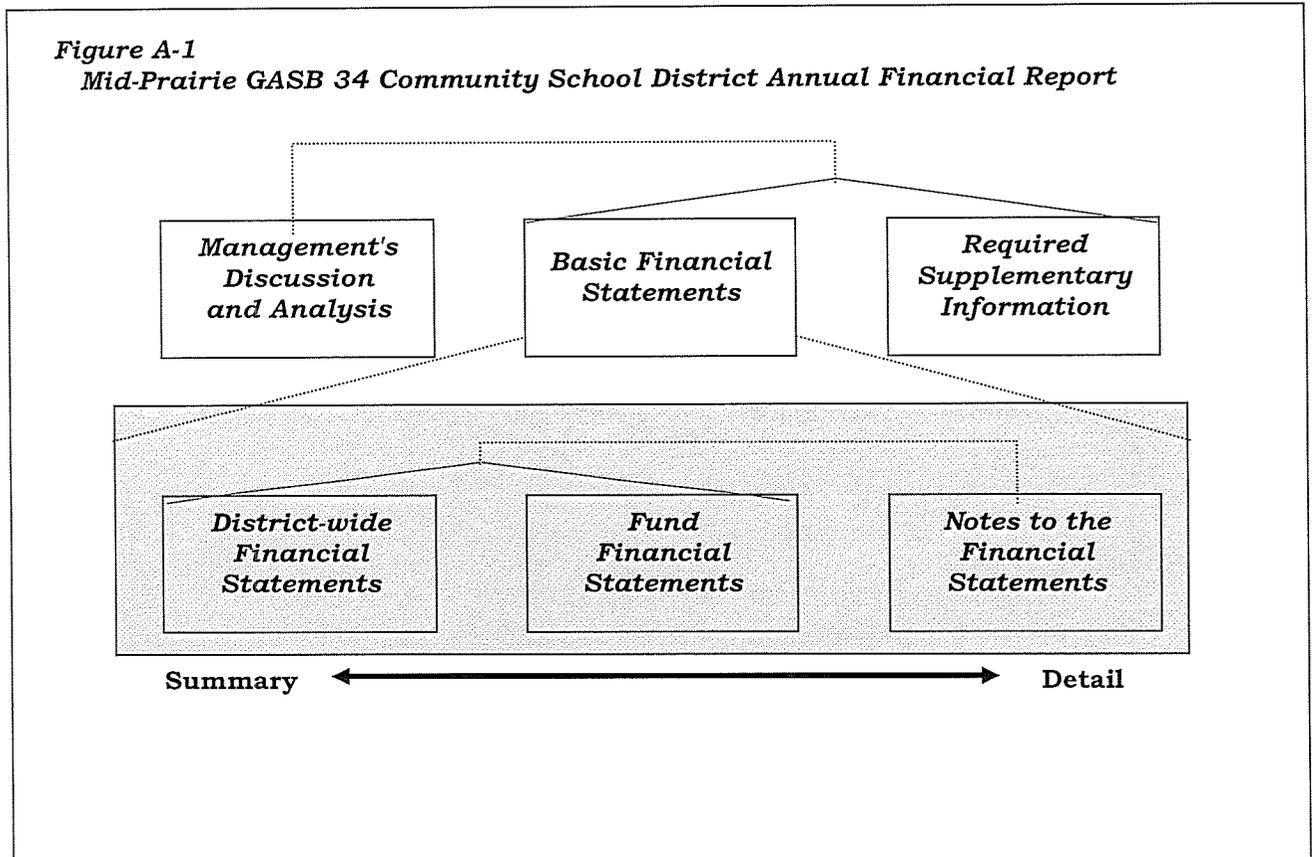


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food 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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 and latchkey daycare programs are 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 and Debt Service 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 two Enterprise Funds, the School Nutrition Fund and Latchkey Daycare 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		Business-type		Total		Total
	Activities		Activities		School District		Change
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$ 6,120,975	\$ 5,928,307	\$ 51,077	\$ 60,652	\$ 6,172,052	\$ 5,988,959	3.06%
Capital assets	<u>6,216,976</u>	<u>6,500,914</u>	<u>17,050</u>	<u>20,491</u>	<u>6,234,026</u>	<u>6,521,405</u>	-4.41%
Total assets	<u>12,337,951</u>	<u>12,429,221</u>	<u>68,127</u>	<u>81,143</u>	<u>12,406,078</u>	<u>12,510,364</u>	-0.83%
Long-term obligations	4,145,853	4,360,000	-	-	4,145,853	4,360,000	0.00%
Other liabilities	<u>4,514,397</u>	<u>4,442,592</u>	<u>3,467</u>	<u>-</u>	<u>4,517,864</u>	<u>4,442,592</u>	1.69%
Total liabilities	<u>8,660,250</u>	<u>8,802,592</u>	<u>3,467</u>	<u>-</u>	<u>8,663,717</u>	<u>8,802,592</u>	-1.58%
Net assets							
Invested in capital assets, net of related debt	2,141,976	2,140,914	17,050	20,491	2,159,026	2,161,405	-0.11%
Restricted	518,997	431,130	-	-	518,997	431,130	20.38%
Unrestricted	<u>1,016,728</u>	<u>1,054,585</u>	<u>47,610</u>	<u>60,652</u>	<u>1,064,338</u>	<u>1,115,237</u>	-4.56%
Total net assets	<u>\$ 3,677,701</u>	<u>\$ 3,626,629</u>	<u>\$ 64,660</u>	<u>\$ 81,143</u>	<u>\$ 3,742,361</u>	<u>\$ 3,707,772</u>	0.93%

The District's combined net assets increased by 4.6%, or \$34,589, 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 increased approximately \$87,867, or 20% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund. PPEL funds were carried over to complete the Track/Football Lighting Project and the Middle School Drainage Ditch Project. The Mid-Prairie Athletic Boosters donated \$40,000 toward the lighting project and this was included in the PPEL carryover. \$41,000 received from the sale of the bus lot in 2003 has been designated to relocating the bus lot and are part of the PPEL Funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$50,899, or 4%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

Figure A-4
Change in Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total School District</u>
Revenues			
Program revenues			
Charges for service and sales	\$ 1,067,679	\$ 273,284	\$ 1,340,963
Operating grants, contributions and restricted interest	1,221,783	148,207	1,369,990
General revenues			
Property tax	3,931,610	-	3,931,610
Unrestricted state grants	3,790,492	-	3,790,492
Unrestricted investment earnings	11,021	158	11,179
Other	<u>658</u>	<u>-</u>	<u>658</u>
Total revenues	<u>10,023,243</u>	<u>421,649</u>	<u>10,444,892</u>
Program expenses			
Governmental activities			
Instruction	6,440,919	-	6,440,919
Support services	2,431,977	-	2,431,977
Non-instructional programs	-	438,132	438,132
Other expenses	<u>1,099,275</u>	<u>-</u>	<u>1,099,275</u>
Total expenses	<u>9,972,171</u>	<u>438,132</u>	<u>10,410,303</u>
Change in net assets	<u>\$ 51,072</u>	<u>\$ (16,483)</u>	<u>\$ 34,589</u>

Property tax and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,023,243 and expenses were \$9,899,499. 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	\$ 6,368,247	\$ 4,653,812
Support services	2,431,977	2,347,816
Other expenses	<u>1,099,275</u>	<u>681,081</u>
Total expenses	<u>\$ 9,899,499</u>	<u>\$ 7,682,709</u>

- The cost financed by users of the District's programs was \$1,067,679.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,221,783.
- The net cost of governmental activities was financed with \$3,931,610 in property taxes and \$3,790,492 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$421,649 and expenses were \$438,132. The District's business type activities include the School Nutrition Fund and Latchkey Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The School Nutrition Fund food costs increase from \$179,126 in fiscal 2003 to \$206,795 in fiscal 2004.

During the year ended June 30, 2004, the District increased meal prices by five cent per meal. This increase resulted in increased revenue to the School Nutrition Fund which the District used to fund increases in salaries and benefits. The additional food costs reduced the cash balance from \$44,314 to \$32,529.

INDIVIDUAL FUND ANALYSIS

As previously noted, Mid-Prairie 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 \$1,619,558, well above last year's ending fund balances of \$1,499,233. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to carry over of Physical Plant and Equipment Funds to complete two large projects early in the 2005 school year.

Governmental Fund Highlights

- The decrease in the District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues was less than budgeted due to a 2.5 % reduction in funding from the State which amounted to approximately \$100,000 cut in State Aide. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$1,068,103 to \$1,047,826, due in part to the negotiated salary and benefits settlement, reduction in state aid, and existing expenditure commitments of the District. The district still maintains a solvency ratio in the acceptable range.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$182,040 in fiscal 2003 to \$303,380 in fiscal 2004. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to reserve funds for projects that were to be completed early in the 2005 budget year.
- **Proprietary Fund Highlights**

Enterprise Fund net assets decreased from \$81,143 at June 30, 2003 to \$64,660 at June 30, 2004, representing a decrease of approximately 20%. For fiscal 2004, the District increased meal prices by 5 cents to offset increases in salaries and benefits. The large increase in food costs increased expenditures over revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mid-Prairie Community School District did not amend its annual budget.

The District's receipts were \$187,645 more than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving less in state aid than originally anticipated due to a 2.5% reduction in State Aid.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$6,234,026, 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 4% 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 \$440,875.

The original cost of the District's capital assets was \$13,343,072. Governmental funds account for \$13,263,899, with the remainder of \$79,173 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred with the purchase of two new school busses from the PPEL Fund.

Figure A-6

	Capital Assets, Net of Depreciation						Total Change
	Governmental Activities		Business-type Activities		Total School District		
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	
Land	\$ 60,151	\$ 60,151	\$ -	\$ -	\$ 60,151	\$ 60,151	0.00%
Buildings and improvements	5,717,528	5,993,280	-	-	5,717,528	5,993,280	-4.60%
Improvements, other than buildings	53,235	72,290	-	-	53,235	72,290	-26.36%
Furniture and equipment	<u>386,062</u>	<u>375,193</u>	<u>17,050</u>	<u>20,491</u>	<u>403,112</u>	<u>395,684</u>	1.88%
Totals	<u>\$6,216,976</u>	<u>\$6,500,914</u>	<u>\$17,050</u>	<u>\$20,491</u>	<u>\$6,234,026</u>	<u>\$6,521,405</u>	-4.41%

Long-Term Debt

At June 30, 2004, the District had \$4,145,853 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	School District		Change
	<u>2004</u>	<u>2003</u>	<u>2003- 2004</u>
General obligation bonds	\$ 4,075,000	\$ 4,360,000	-6.54%
Early retirement	<u>70,853</u>	<u>72,672</u>	-2.50%
Total	<u>\$ 4,145,853</u>	<u>\$ 4,432,672</u>	-6.47%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

The Local Option Sales Tax was approved and revenues will begin in January, 2005. The Board will retain \$75,000.00 of the money received in 2005 from LOST and use the balance for property tax relief.

The district property tax levy is one of the lowest in the area. With the increase value of farmland, the property tax valuation in the district should remain stable for the next few years.

The 4.3 percent settlement of staff salaries and benefits will use all of the allowable growth for 2005. The district may have to use its reserves to fund additional expenditures for 2005.

The budget enrollment for the 2006 budget year decreased from 1,254 students to 1,240 students.

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 Doug Slaubaugh District Secretary/Treasurer and Business Manager, Mid-Prairie Community School District, 1635 Highway 22 East, Wellman, IA, 52356. Phone 319-646-6093 or email at dslaubaugh@mid-prairie.k12.ia.us.

Basic Financial Statements

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2004

Exhibit A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$2,295,628	\$ 38,253	\$2,333,881
Receivables			
Property tax			
Delinquent	55,935	-	55,935
Succeeding year	3,623,234	-	3,623,234
Due from other governments	146,178	-	146,178
Inventories	-	12,824	12,824
Capital assets, net of accumulated depreciation	6,216,976	17,050	6,234,026
Total assets	12,337,951	68,127	12,406,078
 LIABILITIES			
Accounts payable	102,290	15	102,305
Salaries and benefits payable	707,080	3,452	710,532
Accrued interest payable	12,980	-	12,980
Deferred revenue - succeeding year property tax	3,623,234	-	3,623,234
Deferred revenue - unspent grant proceeds	68,813	-	68,813
Long-term liabilities			
Portion due within one year			
Bonds payable	280,000	-	280,000
Early retirement	26,819	-	26,819
Portion due after one year			
Bonds payable	3,795,000	-	3,795,000
Early retirement	44,034	-	44,034
Total liabilities	8,660,250	3,467	8,663,717
 NET ASSETS			
Invested in capital assets, net of related debt	2,141,976	17,050	2,159,026
Restricted for			
Talented and Gifted program	8,635	-	8,635
Iowa Early Intervention grant	22,463	-	22,463
Management levy	86,772	-	86,772
Physical plant and equipment levy	303,380	-	303,380
Debt service	36,731	-	36,731
Other special revenue purposes	61,016	-	61,016
Unrestricted	1,016,728	47,610	1,064,338
Total net assets	\$3,677,701	\$ 64,660	\$3,742,361

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

MID-PRAIRIE 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	\$ 4,695,595	\$ 680,376	\$ 430,125	\$ -	\$ (3,585,094)	\$ -	\$ (3,585,094)
Special instruction	886,662	73,647	334,729	-	(478,286)	-	(478,286)
Other instruction	785,990	261,205	7,025	-	(517,760)	-	(517,760)
	<u>6,368,247</u>	<u>1,015,228</u>	<u>771,879</u>	<u>-</u>	<u>(4,581,140)</u>	<u>-</u>	<u>(4,581,140)</u>
Support services							
Student services	201,391	-	-	-	(201,391)	-	(201,391)
Instructional staff services	225,598	-	-	-	(225,598)	-	(225,598)
Administration services	794,848	-	-	-	(794,848)	-	(794,848)
Operation and maintenance of plant services	783,249	49,880	-	-	(733,369)	-	(733,369)
Transportation services	426,891	2,571	31,710	-	(392,610)	-	(392,610)
	<u>2,431,977</u>	<u>52,451</u>	<u>31,710</u>	<u>-</u>	<u>(2,347,816)</u>	<u>-</u>	<u>(2,347,816)</u>
Other expenditures							
Facilities acquisition	300,742	-	75,096	-	(225,646)	-	(225,646)
Long-term debt interest	160,628	-	-	-	(160,628)	-	(160,628)
AEA flowthrough	343,098	-	343,098	-	-	-	-
Depreciation (unallocated) *	294,807	-	-	-	(294,807)	-	(294,807)
	<u>1,099,275</u>	<u>-</u>	<u>418,194</u>	<u>-</u>	<u>(681,081)</u>	<u>-</u>	<u>(681,081)</u>
Total governmental activities	<u>9,899,499</u>	<u>1,067,679</u>	<u>1,221,783</u>	<u>-</u>	<u>(7,610,037)</u>	<u>-</u>	<u>(7,610,037)</u>

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

MID-PRAIRIE 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							
Food service operations	\$ 411,734	\$ 248,282	\$ 148,207	\$ -	\$ -	\$ (15,245)	\$ (15,245)
Latchkey/daycare services	26,398	25,002	-	-	-	(1,396)	(1,396)
Total business-type activities	438,132	273,284	148,207	-	-	(16,641)	(16,641)
Total	\$10,337,631	\$1,340,963	\$1,369,990	\$ -	(7,610,037)	(16,641)	(7,626,678)
 <u>General Revenues</u>							
Property tax levied for							
General purposes					3,032,552	-	3,032,552
Capital outlay					456,716	-	456,716
Debt service					442,342	-	442,342
Unrestricted state grants					3,790,492	-	3,790,492
Unrestricted investment earnings					11,021	158	11,179
Other					658	-	658
Total general revenues					7,733,781	158	7,733,939
Change in net assets					123,744	(16,483)	107,261
Net assets, beginning of year, as restated					3,553,957	81,143	3,635,100
Net assets, end of year					\$ 3,677,701	\$ 64,660	\$ 3,742,361

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

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

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2004

Exhibit C

	<u>General</u>	Special Revenue, Physical Plant and Equipment <u>Levy</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 1,712,115	\$ 321,918	\$ 261,595	\$ 2,295,628
Receivables				
Property tax				
Delinquent	43,720	3,380	8,835	55,935
Succeeding year	2,830,687	213,593	578,954	3,623,234
Due from other governments	<u>146,178</u>	<u>-</u>	<u>-</u>	<u>146,178</u>
 Total assets and other debits	 <u>\$ 4,732,700</u>	 <u>\$ 538,891</u>	 <u>\$ 849,384</u>	 <u>\$ 6,120,975</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 78,294	\$ 21,918	\$ 2,078	\$ 102,290
Salaries and benefits payable	707,080	-	-	707,080
Deferred revenue - Succeeding year property tax	2,830,687	213,593	578,954	3,623,234
Deferred revenue - Other	<u>68,813</u>	<u>-</u>	<u>-</u>	<u>68,813</u>
Total liabilities	<u>3,684,874</u>	<u>235,511</u>	<u>581,032</u>	<u>4,501,417</u>
 Fund balances				
Reserved for				
Talented and Gifted Program	8,635	-	-	8,635
Iowa Early Intervention Program	22,463	-	-	22,463
Unreserved, undesignated				
Special revenue	-	303,380	218,641	522,021
Other governmental	<u>1,016,728</u>	<u>-</u>	<u>49,711</u>	<u>1,066,439</u>
Total fund balances	<u>1,047,826</u>	<u>303,380</u>	<u>268,352</u>	<u>1,619,558</u>
 Total liabilities and fund balances	 <u>\$ 4,732,700</u>	 <u>\$ 538,891</u>	 <u>\$ 849,384</u>	 <u>\$ 6,120,975</u>

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

MID-PRAIRIE 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	\$ 1,619,558
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.	6,216,976
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.	(12,980)
Long-term liabilities, including early retirement, bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,145,853)</u>
Net assets of governmental activities	<u>\$ 3,677,701</u>

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

MID-PRAIRIE 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>Special Revenue, Physical Plant and Equipment Levy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 2,887,218	\$ 456,603	\$ 585,919	\$ 3,929,740
Tuition	546,827	-	-	546,827
Other	222,107	45,893	263,873	531,873
State sources	4,488,905	113	296	4,489,314
Federal sources	449,735	75,096	-	524,831
Total revenues	<u>8,594,792</u>	<u>577,705</u>	<u>850,088</u>	<u>10,022,585</u>
Expenditures				
Current				
Instruction				
Regular instruction	4,630,087	6,328	23,488	4,659,903
Special instruction	886,662	-	-	886,662
Other instruction	531,961	-	254,029	785,990
	<u>6,048,710</u>	<u>6,328</u>	<u>277,517</u>	<u>6,332,555</u>
Support services				
Student services	201,391	-	-	201,391
Instructional staff services	225,598	-	-	225,598
Administration services	794,848	-	-	794,848
Operation and maintenance of plant service	672,375	-	91,062	763,437
Transportation services	329,707	119,436	16,081	465,224
	<u>2,223,919</u>	<u>119,436</u>	<u>107,143</u>	<u>2,450,498</u>
Other expenditures				
Facilities acquisition	-	330,601	-	330,601
Long-term debt				
Principal	-	-	285,000	285,000
Interest and fiscal charges	-	-	161,166	161,166
AEA flowthrough	343,098	-	-	343,098
	<u>343,098</u>	<u>330,601</u>	<u>446,166</u>	<u>1,119,865</u>
Total expenditures	<u>8,615,727</u>	<u>456,365</u>	<u>830,826</u>	<u>9,902,918</u>

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

MID-PRAIRIE 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>	Special Revenue, Physical Plant and Equipment	Nonmajor Governmental Funds	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (20,935)	\$ 121,340	\$ 19,262	\$ 119,667
Other financing sources				
Sale of equipment and materials	658	-	-	658
Net change in fund balances	(20,277)	121,340	19,262	120,325
Fund balance, beginning of year	1,068,103	182,040	249,090	1,499,233
Fund balance, end of year	\$ 1,047,826	\$ 303,380	\$ 268,352	\$ 1,619,558

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

MID-PRAIRIE 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 \$ 120,325

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	\$ 153,496	
Depreciation expense	<u>(437,434)</u>	(283,938)

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. 285,000

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.

Early retirement		1,819
------------------	--	-------

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. 538

Change in net assets of governmental activities \$ 123,744

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

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2004

Exhibit G

	<u>Nonmajor Enterprise Funds</u>
ASSETS	
Cash and cash equivalents	\$ 38,253
Inventories	12,824
Capital assets, net of accumulated depreciation	<u>17,050</u>
Total assets	<u>68,127</u>
 LIABILITIES	
Salaries and benefits payable	3,452
Accounts payable	<u>15</u>
Total liabilities	<u>3,467</u>
 NET ASSETS	
Invested in capital assets	17,050
Unrestricted	<u>47,610</u>
Total net assets	<u><u>\$ 64,660</u></u>

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

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

Exhibit H

	<u>Nonmajor Enterprise Funds</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 273,284</u>
Operating expenses	
Non-instructional programs	
Salaries	165,887
Benefits	32,819
Purchased services	11,860
Supplies	224,003
Miscellaneous	122
Depreciation	<u>3,441</u>
Total operating expenses	<u>438,132</u>
Operating loss	<u>(164,848)</u>
Non-operating revenues	
Interest income	158
State sources	6,105
Federal sources	<u>142,102</u>
Total non-operating revenues	<u>148,365</u>
Change in net assets	(16,483)
Net assets, beginning of year	<u>81,143</u>
Net assets, end of year	<u>\$ 64,660</u>

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

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

Exhibit I

	Nonmajor Enterprise Funds
Cash flows from operating activities	
Cash received from sale of lunches and breakfasts	\$ 248,282
Cash received from sale of other services	25,002
Cash payments to employees for services	(195,254)
Cash payments to suppliers for goods and services	(218,877)
Net cash used in operating activities	<u>(140,847)</u>
Cash flows from non-capital financing activities	
State grants received	6,105
Federal grants received	121,403
Net cash provided by non-capital financing activities	<u>127,508</u>
Cash flows from investing activities	
Interest on investments	<u>158</u>
Net decrease in cash and cash equivalents	(13,181)
Cash and cash equivalents, beginning of year	<u>51,434</u>
Cash and cash equivalents, end of year	<u><u>\$ 38,253</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$(164,848)
Adjustments to reconcile operating loss to net cash used in operating activities	
Commodities used	20,699
Depreciation	3,441
Increase in inventories	(3,606)
Increase in accounts payable	15
Increase in salaries and benefits payable	3,452
Net cash used in operating activities	<u><u>\$(140,847)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2004, the District received \$20,699 of federal commodities.

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

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2004

Note 1. Summary of Significant Accounting Policies

The Mid-Prairie Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Wellman and Kalona, Iowa, and the agricultural territory in Washington, Iowa and Johnson Counties. 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, Mid-Prairie 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 Mid-Prairie Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

The District does not participate in any jointly governed organizations for which the District is financially accountable or that the nature and significance of the relationship with the District are such that exclusion would cause the District's financial statements to be misleading.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the 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 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 Physical Plant & Equipment Levy (PPEL) Fund is a special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, by Iowa Code section 298.2. This fund is created to deposit and expend money from the PPEL levy. The purpose of the fund is to pay the costs of specified major expenditures related to real property and equipment.

The District reports no major proprietary funds.

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 timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, early retirement and claims and judgments 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 apply 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 Funds are 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 the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in 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	\$2,500
Buildings	\$2,500
Improvements other than buildings	\$2,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$2,500

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	40 years
Improvements to buildings	10 years
Furniture and equipment	5-12 years

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

Early Retirement - 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.

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 unspent grant proceeds as well as property tax receivable 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 and unspent grant proceeds.

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, disbursements did not exceed the amounts budgeted nor did the District 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 investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$2,056,168 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Note 3. Capital Assets

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

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 60,151	\$ -	\$ -	\$ 60,151
Total capital assets not being depreciated	<u>60,151</u>	<u>-</u>	<u>-</u>	<u>60,151</u>
Capital assets being depreciated:				
Buildings and improvements	11,247,928	-	-	11,247,928
Improvements other than buildings	303,011	-	-	303,011
Furniture and equipment	<u>1,550,413</u>	<u>153,496</u>	<u>(51,100)</u>	<u>1,652,809</u>
Total capital assets being depreciated	<u>13,101,352</u>	<u>153,496</u>	<u>(51,100)</u>	<u>13,203,748</u>
Less accumulated depreciation for:				
Buildings and improvements	5,254,648	275,752	-	5,530,400
Improvements other than buildings	230,721	19,055	-	249,776
Furniture and equipment	<u>1,175,220</u>	<u>142,627</u>	<u>(51,100)</u>	<u>1,266,747</u>
Total accumulated depreciation	<u>6,660,589</u>	<u>437,434</u>	<u>(51,100)</u>	<u>7,046,923</u>
Total capital assets being depreciated, net	<u>6,440,763</u>	<u>(283,938)</u>	<u>-</u>	<u>6,156,825</u>
Governmental activities capital assets, net	<u>\$ 6,500,914</u>	<u>\$(283,938)</u>	<u>\$ -</u>	<u>\$ 6,216,976</u>
<u>Business-type activities</u>				
Furniture and equipment	\$ 79,173	\$ -	\$ -	\$ 79,173
Less accumulated depreciation	<u>58,682</u>	<u>3,441</u>	<u>-</u>	<u>62,123</u>
Business-type activities capital assets, net	<u>\$ 20,491</u>	<u>\$(3,441)</u>	<u>\$ -</u>	<u>\$ 17,050</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 37,511
Support services	
Operation and maintenance of plant	19,812
Transportation	85,304
Unallocated depreciation	<u>294,807</u>
Total governmental activities depreciation expense	<u>\$ 437,434</u>

Business-type activities

Food services	<u>\$ 3,441</u>
---------------	-----------------

Note 4. 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
General obligation bonds	\$ 4,360,000	\$ -	\$(285,000)	\$ 4,075,000	\$ 280,000
Early retirement	<u>72,672</u>	<u>20,000</u>	<u>(21,819)</u>	<u>70,853</u>	<u>26,819</u>
Totals	<u>\$ 4,432,672</u>	<u>\$ 20,000</u>	<u>\$(306,819)</u>	<u>\$ 4,145,853</u>	<u>\$ 306,819</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-nine years of age and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2004, totaled \$21,819.

Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	2.5-3.0%	\$ 280,000	\$ 153,954	\$ 433,954
2006	3.0-3.25%	275,000	145,992	420,992
2007	3.25-3.375%	295,000	137,229	432,229
2008	3.375-3.5%	305,000	127,191	432,191
2009	3.5-3.65%	315,000	116,523	431,523
2010	3.65-3.85%	330,000	104,868	434,868
2011	3.85-4.0%	335,000	92,429	427,429
2012	4.0-4.05%	350,000	78,952	428,952
2013	4.05-4.2%	365,000	64,721	429,721
2014	4.2-4.3%	395,000	49,316	444,316
2015	4.3-4.4%	420,000	31,995	451,995
2016	4.4-4.5%	<u>410,000</u>	<u>13,620</u>	<u>423,620</u>
Total		<u>\$ 4,075,000</u>	<u>\$ 1,116,790</u>	<u>\$ 5,191,790</u>

Note 5. 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 \$320,915, \$310,082 and \$303,899, respectively, equal to the required contributions for each year.

Note 6. 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 7. 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 \$343,098 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 8. 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:

	<u>Fund</u>			
	Physical			
	Plant and	Nonmajor		
	Equipment	Special		
	<u>General</u>	<u>Levy</u>	<u>Revenue</u>	<u>Total</u>
Net assets June 30, 2003, as previously reported	\$ 1,068,103	\$ 182,040	\$ 249,090	\$ 1,499,233
GASB Interpretation 6 adjustments	-	-	-	-
Net assets July 1, 2003, as restated for governmental funds	<u>\$ 1,068,103</u>	<u>\$ 182,040</u>	<u>\$ 249,090</u>	1,499,233
GASB 34 adjustments:				
Capital assets,				6,500,914
net of accumulated depreciation of \$6,660,589				
Long-term liabilities:				
Bonds and notes			\$(4,360,000)	
Early retirement			<u>(72,672)</u>	
Accrued interest payable				(4,432,672)
				<u>(13,518)</u>
Net assets July 1, 2003, as restated				<u>\$ 3,553,957</u>

Note 9. Subsequent Event – Local Option Sales and Services Tax

Washington County voters authorized the Local Option Sales and Services Tax beginning January 1, 2005. This tax is an additional sales tax of 1% on all taxable sales in Washington County and will continue for 10 years. The revenue from this tax will be distributed to all school districts with students residing in Washington County on a per student basis. Mid-Prairie Community School District anticipates receiving \$300,000 from this tax annually beginning with the fiscal year ending June 30, 2005.

Required Supplementary Information

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis)
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
				<u>Original</u>	<u>Final</u>	
Receipts						
Local sources	\$ 5,004,594	\$ 273,274	\$ 5,277,868	\$ 5,142,613	\$ 5,142,613	\$ 135,255
State sources	4,487,761	6,105	4,493,866	4,649,623	4,649,623	(155,757)
Federal sources	533,744	121,403	655,147	447,000	447,000	208,147
Total receipts	<u>10,026,099</u>	<u>400,782</u>	<u>10,426,881</u>	<u>10,239,236</u>	<u>10,239,236</u>	<u>187,645</u>
Disbursements						
Instruction	6,277,181	-	6,277,181	6,290,000	6,290,000	12,819
Support services	2,451,896	-	2,451,896	2,695,000	2,695,000	243,104
Non-instructional programs	-	413,966	413,966	423,000	423,000	9,034
Other expenditures	1,117,100	-	1,117,100	1,167,750	1,167,750	50,650
Total disbursements	<u>9,846,177</u>	<u>413,966</u>	<u>10,260,143</u>	<u>10,575,750</u>	<u>10,575,750</u>	<u>315,607</u>
Excess (deficiency) of receipts over (under) disbursements	179,922	(13,184)	166,738	(336,514)	(336,514)	503,252
Other financing sources, net	<u>658</u>	<u>-</u>	<u>658</u>	<u>2,000</u>	<u>2,000</u>	<u>(1,342)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	180,580	(13,184)	167,396	(334,514)	(334,514)	501,910
Balance, beginning of year	2,115,048	51,437	2,166,485	1,788,142	1,788,142	378,343
Balance, end of year	<u>\$ 2,295,628</u>	<u>\$ 38,253</u>	<u>\$ 2,333,881</u>	<u>\$ 1,453,628</u>	<u>\$ 1,453,628</u>	<u>\$ 880,253</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 For the Year Ended June 30, 2004

	Governmental Fund Types		
	Cash	Accrual	Modified
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
Revenues	\$ 10,026,099	\$ (3,514)	\$ 10,022,585
Expenditures	<u>9,846,177</u>	<u>56,741</u>	<u>9,902,918</u>
Net	179,922	(60,255)	119,667
Other financing sources	658	-	658
Beginning fund balances	<u>2,115,048</u>	<u>(615,815)</u>	<u>1,499,233</u>
Ending fund balances	<u>\$ 2,295,628</u>	<u>\$ (676,070)</u>	<u>\$ 1,619,558</u>

	Proprietary Fund Type		
	Enterprise		
	Cash	Accrual	Accrual
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
Revenues	\$ 400,782	\$ 20,867	\$ 421,649
Expenditures	<u>413,966</u>	<u>24,166</u>	<u>438,132</u>
Net	(13,184)	(3,299)	(16,483)
Beginning fund balances	<u>51,437</u>	<u>29,706</u>	<u>81,143</u>
Ending fund balances	<u>\$ 38,253</u>	<u>\$ 26,407</u>	<u>\$ 64,660</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of disbursements 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 disbursements 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 disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

During the year ended June 30, 2004, District disbursements did not exceed the amounts budgeted in any of the four functions nor did the General fund disbursements exceed the unspent authorized budget.

Other Supplementary Information

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

Schedule 1

	Special Revenue		Debt Service	Total
	Management Levy	Student Activities		
ASSETS				
Cash and pooled investments	\$ 155,447	\$ 63,094	\$ 43,054	\$ 261,595
Receivables				
Property tax				
Current year delinquent	2,178	-	6,657	8,835
Succeeding year	145,000	-	433,954	578,954
Total assets	<u>\$ 302,625</u>	<u>\$ 63,094</u>	<u>\$ 483,665</u>	<u>\$ 849,384</u>
 LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ -	\$ 2,078	\$ -	\$ 2,078
Deferred revenue				
Succeeding year property tax	145,000	-	433,954	578,954
Total liabilities	145,000	2,078	433,954	581,032
Fund Equity				
Unreserved fund balances	157,625	61,016	49,711	268,352
Total liabilities and fund equity	<u>\$ 302,625</u>	<u>\$ 63,094</u>	<u>\$ 483,665</u>	<u>\$ 849,384</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

Schedule 2

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
Revenues				
Local sources				
Local taxes	\$ 143,800	\$ -	\$ 442,119	\$ 585,919
Other	1,718	261,606	549	263,873
State sources	73	-	223	296
Total revenues	145,591	261,606	442,891	850,088
Expenditures				
Current				
Instruction				
Regular program instruction	23,488	-	-	23,488
Other instruction	-	254,029	-	254,029
Support services	-	-	-	-
Administration services	-	-	-	-
Operation and maintenance of plant services	91,062	-	-	91,062
Transportation services	16,081	-	-	16,081
Other expenditures	-	-	-	-
Long-term debt:				
Principal	-	-	285,000	285,000
Interest and fiscal charges	-	-	161,166	161,166
Total expenditures	130,631	254,029	446,166	830,826
Excess (deficiency) of revenues under expenditures	14,960	7,577	(3,275)	19,262
Fund balances, beginning of year	142,665	53,439	52,986	249,090
Fund balances, end of year	\$ 157,625	\$ 61,016	\$ 49,711	\$ 268,352

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 Combining Statement of Fund Net Assets
 Nonmajor Proprietary Funds
 June 30, 2004

Schedule 3

	Enterprise		Total
	School Nutrition	Latchkey Daycare	
ASSETS			
Cash and pooled investments	\$ 32,529	\$ 5,724	\$ 38,253
Inventories	12,824	-	12,824
Equipment, net of accumulated depreciation	17,050	-	17,050
Total assets	62,403	5,724	68,127
 LIABILITIES			
Salaries and benefits payable	3,452	-	3,452
Accounts payable	15	-	15
Total liabilities	3,467	-	3,467
 NET ASSETS			
Invested in capital assets, net	17,050	-	17,050
Unreserved	41,886	5,724	47,610
Total net assets	\$ 58,936	\$ 5,724	\$ 64,660

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2004

Schedule 4

	Enterprise		<u>Total</u>
	<u>School</u> Nutrition	<u>Latchkey</u> Daycare	
Operating revenue			
Local sources			
Charges for service	<u>\$ 248,282</u>	<u>\$ 25,002</u>	<u>\$ 273,284</u>
Operating expenses			
Non-instructional programs			
Salaries	144,335	21,552	165,887
Benefits	30,530	2,289	32,819
Purchased services	11,860	-	11,860
Supplies	221,568	2,435	224,003
Miscellaneous	-	122	122
Depreciation	<u>3,441</u>	<u>-</u>	<u>3,441</u>
Total operating expenses	<u>411,734</u>	<u>26,398</u>	<u>438,132</u>
Operating loss	<u>(163,452)</u>	<u>(1,396)</u>	<u>(164,848)</u>
Non-operating revenue			
Interest income	158	-	158
State sources	6,105	-	6,105
Federal sources	<u>142,102</u>	<u>-</u>	<u>142,102</u>
Total non-operating revenue	<u>148,365</u>	<u>-</u>	<u>148,365</u>
Change in net assets	(15,087)	(1,396)	(16,483)
Net assets, beginning of year	<u>74,023</u>	<u>7,120</u>	<u>81,143</u>
Net assets, end of year	<u>\$ 58,936</u>	<u>\$ 5,724</u>	<u>\$ 64,660</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2004

Schedule 5

	Enterprise		Total
	School Nutrition	Latchkey Daycare	
Cash flows from operating activities			
Cash received from sale of meals	\$ 248,282	\$ -	\$ 248,282
Cash received from sale of services	-	25,002	25,002
Cash payments to employees for services	(171,413)	(23,841)	(195,254)
Cash payments to suppliers for goods and services	(216,320)	(2,557)	(218,877)
Net cash used in operating activities	(139,451)	(1,396)	(140,847)
Cash flows from non-capital financing activities			
State grants received	6,105	-	6,105
Federal grants received	121,403	-	121,403
Net cash provided by non-capital financing activities	127,508	-	127,508
Cash flows from investing activities			
Interest on investments	158	-	158
Net (decrease) in cash and cash equivalents	(11,785)	(1,396)	(13,181)
Cash and cash equivalents, beginning of year	44,314	7,120	51,434
Cash and cash equivalents, end of year	\$ 32,529	\$ 5,724	\$ 38,253

Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (163,452)	\$ (1,396)	\$ (164,848)
Adjustments to reconcile operating loss to net cash used in operating activities			
Commodities used	20,699	-	20,699
Depreciation	3,441	-	3,441
Increase in inventories	(3,606)	-	(3,606)
Increase in accounts payable	15	-	15
Increase in salaries and benefits payable	3,452	-	3,452
Net cash used in operating activities	\$ (139,451)	\$ (1,396)	\$ (140,847)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$20,699 of federal commodities.

See accompanying Independent Auditor's Report.

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

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Drama Workshop	\$ 4,335	\$ 9,104	\$ 10,343	\$ 72	\$ 3,168
All Athletics	(2,918)	86,860	83,913	(72)	(43)
Annual	2,658	9,645	9,285	-	3,018
Class of 2001	548	-	548	-	-
Class of 2002	54	-	54	-	-
Class of 2003	2,326	-	253	-	2,073
Class of 2004	3,598	1,856	3,848	-	1,606
Class of 2005	89	17,070	12,441	-	4,718
Renaissance	3,245	4,544	2,852	-	4,937
Post Prom	4,038	6,630	4,809	-	5,859
FFA	4,213	28,441	29,223	-	3,431
Librarians Club	605	-	-	-	605
Interest	3,291	430	983	-	2,738
Newspaper	93	-	-	-	93
Pep Club	-	2,512	2,307	-	205
EIHC	484	3,826	4,191	-	119
Flag Girls	36	20	56	-	-
Athletic Resale	23,228	80,245	80,051	-	23,422
SADD Club	1,268	549	16	-	1,801
High School Student Council	2,248	9,874	8,856	-	3,266
	<u>\$ 53,439</u>	<u>\$ 261,606</u>	<u>\$ 254,029</u>	<u>\$ -</u>	<u>\$ 61,016</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

Schedule 7

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues				
Local sources				
Local tax	\$ 3,929,740	\$ 3,870,602	\$ 3,697,786	\$ 3,445,595
Tuition	546,827	495,306	399,145	368,623
Other	531,873	511,499	641,795	564,031
State sources	4,489,314	4,530,754	4,351,222	4,422,655
Federal sources	524,831	413,697	365,576	335,496
 Total revenues	 \$ 10,022,585	 \$ 9,821,858	 \$ 9,455,524	 \$ 9,136,400
 Expenditures				
Instruction				
Regular instruction	4,732,575	4,332,381	4,236,816	4,038,822
Special instruction	886,662	843,145	821,473	742,062
Other instruction	785,990	812,637	777,206	717,287
Support services				
Student services	201,391	213,244	241,722	274,611
Instructional staff services	225,598	201,036	186,203	179,332
Administration services	794,848	756,349	756,868	734,731
Operation and maintenance of plant services	763,437	759,203	754,009	867,993
Transportation services	465,224	453,496	438,985	426,985
Other expenditures				
Facilities acquisition	330,601	567,301	152,929	45,539
Long-term debt				
Principal	285,000	313,898	213,763	203,189
Interest and other charges	161,166	141,301	246,216	259,953
AEA flowthrough	343,098	360,577	353,948	361,387
 Total expenditures	 \$ 9,975,590	 \$ 9,754,568	 \$ 9,180,138	 \$ 8,851,891

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2004

Schedule 8

Grantor/Program Indirect	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Agriculture			
Iowa Department of Education			
Food distribution (non-cash)	10.550	FY04	\$ 20,699
School Nutrition Cluster Programs			
National School Breakfast Program	10.553	FY04	14,791
National School Lunch Program	10.555	FY04	<u>106,612</u>
Total Department of Agriculture			<u>142,102</u>
U.S. Department of Education			
Iowa Department of Education			
Title I Grants to Local			
Educational Agencies	84.010	FY04	254,767
Innovative Education Program Strategies			
Title V Program	84.298	FY04	6,686
Title I Accountability	84.348	FY04	4,500
Safe and Drug-free Schools and Communities	84.184	FY04	8,645
Title IIA - Federal Teacher Quality Program	84.367	FY04	47,459
Grants for State Assessments & Related Activities	84.369	FY04	5,900
Technology Literacy Challenge Grant	84.318	FY04	6,558
Special Education-Grants to States-Part B	84.027	FY04	63,656
Fund for the Improvement of Education - Fire Safe	84.215	FY04	75,096
Star Schools Program	84.203F	FY04	<u>3,520</u>
Total Iowa Department of Education			<u>476,787</u>
Grant Wood Area Education Agency			
Carl D. Perkins Vocational & Applied Technology	84.048	FY04	1,906
Special Education-Grants to States-Success 4	84.027	FY04	575
Educational Technology State Grants	84.319	FY04	<u>7,676</u>
Total Area Education Agency			<u>10,157</u>
Total Department of Education			<u>486,944</u>
Total federal awards			<u>\$629,046</u>

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

See accompanying Independent Auditor's Report.

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
Mid-Prairie Community School District
Wellman, Iowa

I have audited the financial statements of the Mid-Prairie Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated August 6, 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 Mid-Prairie Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. There were no prior year statutory comments to be resolved. Current year statutory comments are detailed as follows:

1. Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
2. Certified Budget - Disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted.
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 and all minutes appeared to be properly and timely published.
8. Certified Enrollment - I noted no variances in the basic enrollment data certified to the Department of Education.
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 and I noted no significant deficiencies in the amounts reported.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mid-Prairie 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 judgement, could adversely affect Mid-Prairie Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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. Prior year reportable conditions have not been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Mid-Prairie 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 Mid-Prairie 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.



Kay L. Chapman, CPA PC
August 6, 2004

KAY L. CHAPMAN, CPA PC

119 Sycamore Street, Suite 100

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Board of Education
Mid-Prairie Community School District
Wellman, Iowa

Compliance

I have audited the compliance of Mid-Prairie Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Mid-Prairie Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mid-Prairie Community School District's management. My responsibility is to express an opinion on Mid-Prairie Community School District's compliance based on my audit.

I conducted my audit of compliance 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 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mid-Prairie Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Mid-Prairie Community School District's compliance with those requirements.

In my opinion Mid-Prairie Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Mid-Prairie Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Mid-Prairie Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance 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 compliance that, in my judgment, could adversely affect Mid-Prairie Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance 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 item III-A-04 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 Mid-Prairie 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.



Kay L. Chapman, CPA PC
August 6, 2004

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Part I. Summary of the Independent Auditor's Results

1. An unqualified opinion was issued on the financial statements.
2. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
3. The audit did not disclose any noncompliance which is material to the financial statements.
4. No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance with requirements applicable to each major program.
6. The audit disclosed no audit findings, which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. Major programs were as follows:
 - CFDA Number 84.010 Title I Grants to Local Educational Agencies
 - CFDA Number 84.215 Fund for the Improvement of Education – Fire Safety
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Mid-Prairie Community School District did not qualify as a low-risk auditee.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Part II. Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted

REPORTABLE CONDITIONS

04-II-A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled 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 the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

04-II-B Signature Stamp - It was noted that the signature stamp of the Board President was available to and used by the Board Secretary. This procedure negates the internal control established by the use of dual signatures, as required by the Code of Iowa.

Recommendation - The use of the Board President's signature stamp should be discontinued, or the Board President or someone other than the Board Secretary should have custody and control of the stamp. The Board Secretary's access to the Board President's signature stamp should be eliminated.

Response and Corrective Action Planned - In early FY04 we started using a computer diskette containing the signatures of the board secretary and board president. The diskette is kept in a locked file cabinet, with only authorized personnel having access to the key.

Conclusion - Response accepted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

04-II-C Physical Plant and Equipment Levy Expenditures - It was noted that the Physical Plant and Equipment Levy was used to purchase equipment costing less than \$500.

Recommendation - The district purchased several desks costing \$86.50 each and a can rack costing \$436 from the PPEL Fund. Unallowable expenditures from the PPEL Fund totaled \$3,225 during the year ended June 30, 2004. Chapter 298.3 of the Code of Iowa states that proceeds of the Physical Plant and Equipment Levy may be used to “purchase a single unit of equipment exceeding five hundred dollars in value”. The purchase of equipment with a value less than \$500 is not an allowable expenditure of the PPEL Fund. The District should review its PPEL expenditures more closely to ensure that all expenditures comply with the Code of Iowa.

Response - We will review our PPEL expenditures more closely in the future.

Conclusion - Response accepted.

Part III. Findings and Questioned Costs for Federal Awards

REPORTABLE CONDITIONS

CFDA #84.010: Title I Grants to Local Education Agencies

CFDA #84.215 Fund for the Improvement of Education – Fire Safety grant

04-III-A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled 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 the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We have reviewed procedures and plan to make the necessary changes, as we deem necessary, to improve internal control.

Conclusion - Response accepted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2004

This audit was performed by

Kay Chapman, CPA