Mount Pleasant Community School District

Mount Pleasant, Iowa

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2004

COMPREHENSIVE ANNUAL FINANCIAL REPORT of the

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

Mount Pleasant, Iowa

For the fiscal year ended June 30, 2004

OFFICIAL ISSUING REPORT

W. Edward Chabal — **Director of Finance**

OFFICE ISSUING REPORT

Business Office

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section

This letter of transmittal is designed to compliment the Management's Discussion and Analysis included within the financial section of the CAFR and should be read in conjunction with it.

Mt. Pleasant Community School District

The District is governed by a seven-member elected Board of Education who serve staggered terms of three years. The Board of Education is a policy-making and planning body whose decisions are carried out by school administrators. The District is the thirty-sixth largest of Iowa's 370 public school systems. The enrollment is approximately 2,190 students. The District operates one regular and one alternative high school, one middle school and four elementary schools. The District provides a full range of educational services appropriate to students in early childhood and grades kindergarten through twelve. These services include regular and enriched academic education; special education for children with special needs; vocational education; and numerous individualized programs such as specialized instruction for students at-risk and for limited English speaking students. The District also provides the educational component for Christamore House, a court-appointed juvenile facility located in the District.

The District is supported financially by state aid, property taxes, income surtaxes, state and federal grants for special projects and local revenue received for tuition and other services.

Economic Condition and Outlook

The City of Mt. Pleasant is located in southeastern Iowa at the intersection of U.S. Highways 34 and 218. Construction is now underway that will make Highway 218 a four-lane north/south corridor from St. Paul, Minnesota to St. Louis, Missouri, otherwise known as the Avenue of the Saints. Highway 34 is also under construction to provide an expressway from Burlington to Des Moines that will give Mt. Pleasant four-lane access to the East and West Coasts. The community also boasts a local airport and Amtrak train service. All of this indicates that Mt. Pleasant will truly be a transportation hub of Southeast Iowa. An estimated 271,500 people live within 50 miles of the city.

With Fortune 500 companies such as CECO Building Systems, Federal Express, Goodyear Tire and Rubber, Hearth and Home Technologies, Pioneer Hi-Bred International and WalMart located in Mt. Pleasant, the community has already earned a reputation for providing a significant and diverse employment base for southeast Iowa. Over the years, expansion has come from within and from attracting complementary industries such as City Carton Company, a natural fit for a town that boasts a large regional distribution center and two new warehouses that have been constructed in the last five years. A new WalMart SuperCenter and a new HyVee store have recently opened to expand their services in the community.

Retail sales in Mt. Pleasant totaled $104.47 million in 2004. Compared to 2003, sales increased 3.55 million or 3.5%. Retail sales in Mt. Pleasant amounted to $12,264 per capita in 2004 which was 126% of the statewide average of $9,708. The number of retail firms remained constant at 333. In 2004, Mt. Pleasant had 143% as many retail business as it had in 1976.

The District has scheduled a February 1, 2005 vote to present a one-cent local option sales tax to the voters. Ninety-one of Iowa's ninety-nine counties have passed this issue. The funds may be used for school infrastructure purposes and/or property tax relief. In preparation of the vote, a ten-year building repair and expansion plan has been assembled by the District.

Current tentative budget projections indicate that the 2005-2006 control budget will increase approximately $509,590 or 5.1%. This is considerably larger than the 1.66% increase in the 2004-05 fiscal year. This estimated rate of growth will somewhat help cover increased costs in the areas of staffing, capital outlay and day-to-day operations. The increase in new dollars for 2005-2006 is due to the state funding formula. This formula projects an increase for a one-year period based on September's enrollment for the current budget year multiplied by the state cost per pupil for the 2005-06 school year based upon 4% allowable growth. In previous years, this allowable growth has been in the 2% range.

Mission Statement

The mission statement of the Mt. Pleasant Community School District is to develop responsible, productive, lifelong learners for a changing world by effectively using all available resources.

In addition, the Board has expectations for student learning that it sets forth as belief statements. They believe that:

- Education is the foundation of a lifelong learning process.
- Education is a partnership among students, staff, family and community.
- All students have a right to a quality education.
- Meeting the education needs of individual students is vital.
- Positive self-esteem is necessary for personal development.
- A quality staff is essential.
- A secure environment is fundamental.
- Continuous evaluation and improvement is an integral part of education.
- Accountability is necessary.

Financial Information

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the District's governing body. Activities of the General Fund, Special Revenue Funds, Enterprise Fund and Debt Service Fund are included in the annual budget. The level of budgetary control, (that is, the level at which expenditures cannot legally exceed the budgeted amount) is established by function and encompasses all fund types. To facilitate the monitoring of the legal provisions, and to provide more complete information to interested parties, the District prepares a more detailed budget for each fund. The following information reflects the comprehensive budget for these individual funds rather than demonstrating compliance at the legal level. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Basis of Presentation

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34). This statement represents a significant change in the way state and local governments present basic financial information. Beginning in Fiscal year 2002-03, the District implemented this statement.

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide statements prepared on the accrual basis of accounting, and fund financial statements which presents information for individual major funds and aggregate non-major funds rather than by fund type.

In order to receive the Certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principals and applicable legal requirements.

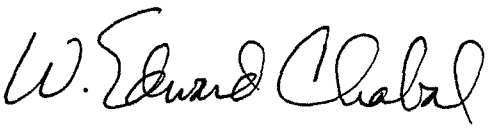
This Certificate is valid for a period of one year only. We believe that our current CAFR conforms to the requirements for the Certificate of Excellence and therefore, we are submitting to ASBO to determine its eligibility for the Certificate.

Acknowledgements

The publication of this report is a major step toward the commitment to professionalism in financial reporting and significantly increases the accountability of the District to the taxpayers. This report would not have been possible without the help of several people. We would like to express our appreciation to all District, City and County employees who assisted in the preparation of this report.

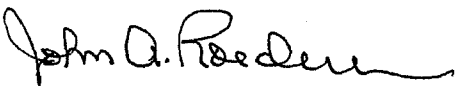
Finally, sincere appreciation is extended to the Board of Education, where commitment to excellence begins.

It is with great pride that this year's Comprehensive Annual Financial Report is submitted to the Board of Education.



W. Edward Chabal

Director of Finance
Board Secretary/Treasurer

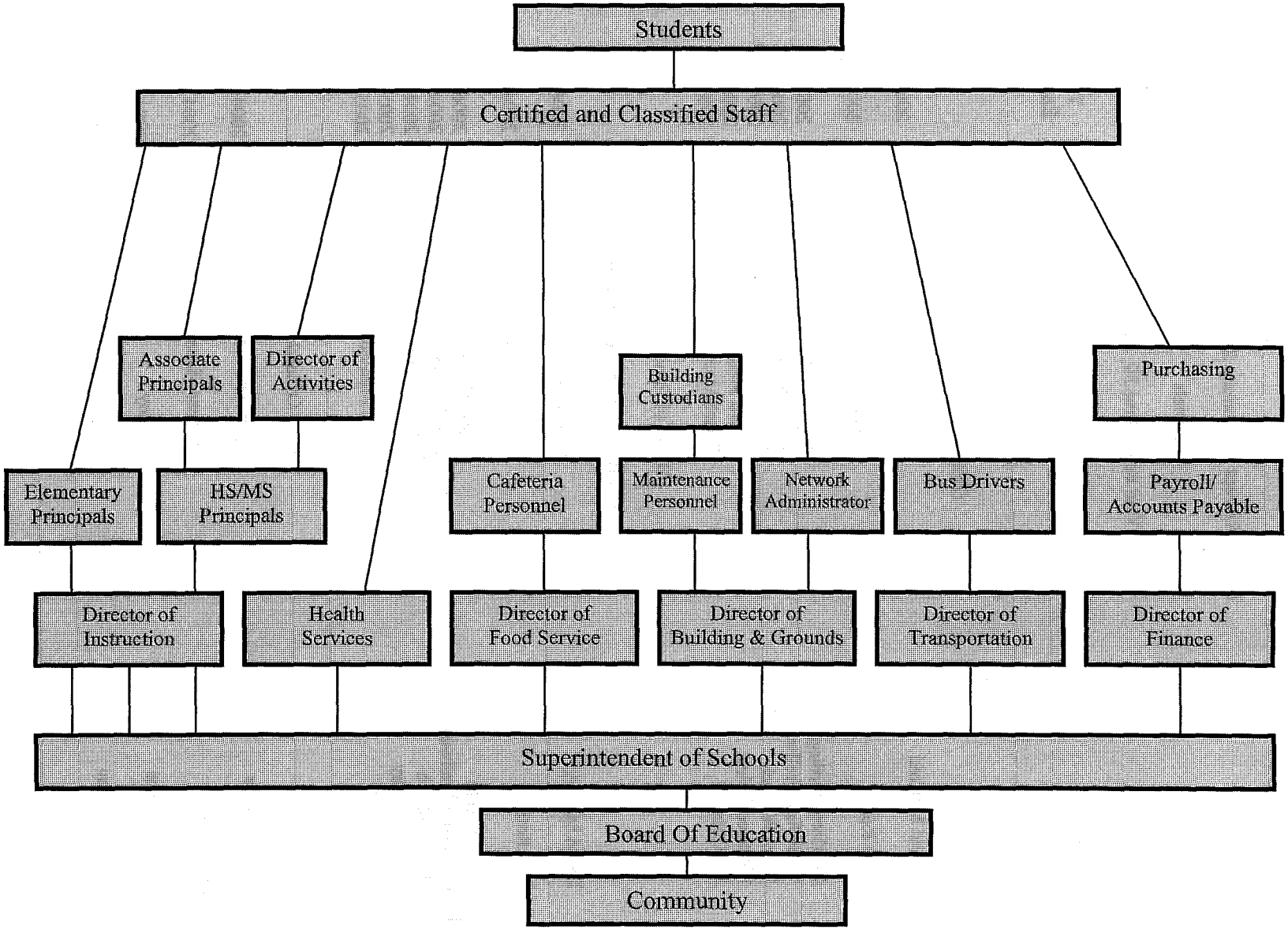


Dr. John A. Roederer

Superintendent of Schools

Mt. Pleasant Community School District

Organizational Chart



Mount Pleasant Community School District

Consultants and Advisors

Year ended June 30, 2004

CERTIFIED PUBLIC ACCOUNTANT

Nolte, Cornman & Johnson P.C.
117 West 3rd Street North
Newton, IA 50208-3040

BOND ATTORNEYS

Ahlers, Cooney, Dorweiler, Haynie, Smith & Allbee
100 Court Avenue, Suite 600
Des Moines, IA 50309-2207

FINANCIAL CONSULTANTS

Piper Jaffray, Inc.
699 Walnut Street
Des Moines, IA 50309-2207

GENERAL COUNSEL

Primary:
Vance Law Office
101 North Jefferson
Mt. Pleasant, IA 52641

Additional:
Schulte, Hahn, Swanson, Engler & Gordon
P.O. box 517
Burlington, IA 52601

INSURANCE CONSULTANT

Gamrath-Doyle-Vens Insurance, Inc.
207 South Harrison, Suite One
Mt. Pleasant, IA 52641

ARCHITECTS & ENGINEERS

Neumann Monson PC
111 East College
Iowa City, IA 52240

OFFICIAL DEPOSITORIES

US Bank
301 East Washington
Mt. Pleasant, IA 52641

Pilot Grove Savings Bank
410 South Grand Avenue
Mt. Pleasant, IA 52641

Henry County Bank
100 West Washington Street
Mt. Pleasant, IA 52641

Wayland State Bank
301 South Main Street
Mt. Pleasant, IA 52641

Farmers Merchant Bank and Trust
P.O. Box 210
Mt. Pleasant, IA 52641

Iowa Schools Joint Investment Trust
Bankers Trust
P.O. Box 897
Des Moines, IA 50304

Financial Section

audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying statistical section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

August 31, 2004

Government-wide statements

The government-wide financial statements report information about the District as a whole using the 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 paid or received.

These two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the Board's financial health or position.

- Over time, an increase or decrease in the District's net assets may indicate whether its financial position is improving or deteriorating.
- To assess the District's overall financial health, one needs to consider additional non-financial factors such as changes in the condition of its school buildings and other physical assets.

The District's activities are divided into two categories on the government-wide statements:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Local funding, as well as state and federal aid, finances most of these activities.
- Business-type activities: The District charges fees to cover the costs of certain services it provides. School food service is included here.

Fund Financial Statements

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

The District has two types of funds:

Governmental funds: Most of the District's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flows in and out and the balances remaining at year-end that are available for spending. As a result of this focus, the governmental funds 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 term to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds, in the form of a reconciliation, explains the relationship (or differences) between them.

Proprietary Fund: Services for which the District charges a fee are generally reported in the proprietary fund. The proprietary fund statements are reported on the same basis of accounting as the government-wide statements – full accrual. The District has one proprietary fund – the School Food Service Fund.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The following table shows changes in net assets for the year ended June 30, 2004 compared to June 30, 2003.

Table 2
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	$ 1,545,751	1,432,703	432,058	431,983	1,977,809	1,864,686
Operating grants and contributions and restricted interest	1,615,435	1,717,612	268,464	247,668	1,883,899	1,965,280
Capital grants and contributions and restricted interest	121,584	19,985	0	0	121,584	19,985
General revenues:						
Property taxes	5,842,372	5,928,064	0	0	5,842,372	5,928,064
Other taxes	6,360	0	0	0	6,360	0
Unrestricted state grants	7,212,979	6,876,322	0	0	7,212,979	6,876,322
Other	32,174	42,514	668	974	32,842	43,488
Total revenues	16,376,655	16,017,200	701,190	680,625	17,077,845	16,697,825
Program expenses:						
Governmental activities:						
Instructional	10,298,544	10,042,568	0	0	10,298,544	10,042,568
Support services	4,011,242	4,027,925	0	0	4,011,242	4,027,925
Non-instructional programs	31,137	16,589	743,172	689,460	774,309	706,049
Other expenses	1,635,354	1,527,351	0	0	1,635,354	1,527,351
Total expenses	15,976,277	15,614,433	743,172	689,460	16,719,449	16,303,893
Changes in net assets	$ 400,378	402,767	(41,982)	(8,835)	358,396	393,932
Ending net assets	$ 6,234,880	5,834,502	144,369	186,351	6,379,249	6,020,853

Property tax and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

Net assets increased during the year, indicating an improvement in the financial condition of the District. During the 2003-04 fiscal year, total net assets of governmental activities increased $400,378 or 6.86%. This increase was the result of a marked reduction in long-term debt obligations as well as management's focus to decrease operational costs in an unsure state economic situation. The Board has made a commitment to attain a 5% General Fund solvency ratio which increased from 3.21% to 4.77% during the 2003-04 fiscal year. The business-type activities performed less well in 2003-04 than in 2002-03 as was planned to decrease the net assets rather than raise meal prices. During the 2003-04 fiscal year, total net assets of business-type activities decreased $41,982 or 22.53%.

Governmental Activities

Revenues for governmental activities were $16,376,655 and expenses were $15,976,277. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

a budget for individual funds, budgets for individual funds are not presented in the budgetary comparison on pages 48 and 49.

The District's total actual receipts were $44,439 less than the total budgeted receipts, a variance of .3%. The most significant change resulted in the District receiving less in various components of state aid than originally anticipated.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at 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 the actual expenditures during the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to $13,662,287 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

Table 4
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	$ 185,400	185,400	0	0	185,400	185,400	0.00%
Buildings	12,754,975	12,937,393	0	0	12,754,975	12,937,393	-1.41%
Improvements other than buildings	289,939	321,155	0	0	289,939	321,155	-9.72%
Machinery and equipment	294,092	482,123	137,881	108,998	431,973	591,121	-26.92%
Total	$ 13,524,406	13,926,071	137,881	108,998	13,662,287	14,035,069	-2.66%

Long-Term Debt

At the end of June 30, 2004, the District had total long-term debt of $8,864,940, a decrease of $559,671 from the prior fiscal year. Of this amount, $844,710 is due within one year. Detailed information regarding the District's long-term debt can be found in Note 8 of the notes to the basic financial statements.

Basic Financial Statements

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP(note 5)	$ 3,581,587	0	3,581,587
Other	3,618,548	67,330	3,685,878
Receivables:			
Property tax:			
Delinquent	72,010	0	72,010
Succeeding year	5,417,539	0	5,417,539
Income surtax	334,588	0	334,588
Accounts	23,981	4	23,985
Accrued interest:			
ISCAP(note 5)	9,032	0	9,032
Due from other governments	273,732	0	273,732
Inventories	31,178	8,918	40,096
Capital assets, net of accumulated depreciation(note 6)	13,524,406	137,881	13,662,287
TOTAL ASSETS	26,886,601	214,133	27,100,734
LIABILITIES			
Accounts payable	235,202	2,183	237,385
Salaries and benefits payable	2,444,805	59,415	2,504,220
Accrued interest payable	79,058	0	79,058
ISCAP warrants payable(note 5)	3,560,000	0	3,560,000
ISCAP accrued interest payable(note 5)	13,695	0	13,695
ISCAP unamortized premium	34,454	0	34,454
Deferred revenue:			
Succeeding year property tax	5,417,539	0	5,417,539
Other	2,028	8,166	10,194
Long-term liabilities(note 8):			
Portion due within one year:			
Bonds payable	545,000	0	545,000
School bus lease payable	138,702	0	138,702
Renovation contribution	100,000	0	100,000
Compensated absences payable	36,919	0	36,919
Early retirement payable	24,089	0	24,089
Portion due after one year:			
Bonds payable	7,770,000	0	7,770,000
School bus lease payable	45,479	0	45,479
Renovation contribution	100,000	0	100,000
Early retirement payable	104,751	0	104,751
TOTAL LIABILITIES	20,651,721	69,764	20,721,485
NET ASSETS			
Investment in capital assets, net of related debt	5,025,225	137,881	5,163,106
Restricted for:			
Talented and gifted	27,005	0	27,005
Other	29,998	0	29,998
Capital projects	15,675	0	15,675
Physical plant and equipment levy	27,217	0	27,217
Other special revenue purposes	158,711	0	158,711
Unrestricted	951,049	6,488	957,537
TOTAL NET ASSETS	$ 6,234,880	144,369	6,379,249

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(5,189,694)	0	(5,189,694)
(2,479,346)	0	(2,479,346)
(52,699)	0	(52,699)
(7,721,739)	0	(7,721,739)
(269,415)	0	(269,415)
(646,894)	0	(646,894)
(1,506,863)	0	(1,506,863)
(1,002,220)	0	(1,002,220)
(577,854)	0	(577,854)
(4,003,246)	0	(4,003,246)
(31,137)	0	(31,137)
(223,571)	0	(223,571)
(352,661)	0	(352,661)
0	0	0
(361,153)	0	(361,153)
(937,385)	0	(937,385)
(12,693,507)	0	(12,693,507)
0	(42,650)	(42,650)
(12,693,507)	(42,650)	(12,736,157)
$ 4,543,943	0	4,543,943
895,660	0	895,660
402,769	0	402,769
6,360	0	6,360
7,212,979	0	7,212,979
29,901	668	30,569
2,273	0	2,273
13,093,885	668	13,094,553
400,378	(41,982)	358,396
5,834,502	186,351	6,020,853
$ 6,234,880	144,369	6,379,249

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2004

Total fund balances of governmental funds(page 28)	$	1,319,884
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 report as assets in in the governmental funds.		13,524,406
Accrued interest payable on long-term liabiliities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(79,058)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		334,588
Long-term liabilities, including bonds payable, school bus lease payable, renovation contribution, compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(8,864,940)
Net assets of governmental activites(page 25)	$	6,234,880

SEE NOTES TO FINANCIAL STATEMENTS.

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds(page 30)		$ 233,506
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	$ 197,025	
Depreciation expense	(598,690)	(401,665)
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.		695,838
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.		33,394
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		(24,528)
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.		
Renovation contribution	$ (200,000)	
Early retirement	64,089	
Compensated absences	(256)	(136,167)
Changes in net assets of governmental activities(page 27)		$ 400,378

SEE NOTES TO FINANCIAL STATEMENTS.

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2004

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	$ 432,058
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	235,662
Benefits	51,028
Services	6,898
Supplies	424,249
Depreciation	25,335
TOTAL OPERATING EXPENSES	743,172
OPERATING LOSS	(311,114)
NON-OPERATING REVENUES:	
State sources	9,079
Federal sources	259,385
Interest on investments	668
TOTAL NON-OPERATING REVENUES	269,132
Change in net assets	(41,982)
Net assets beginning of year	186,351
Net assets end of year	$ 144,369

SEE NOTES TO FINANCIAL STATEMENTS.

Note 1. Summary of Significant Accounting Policies

The Mount Pleasant Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Mount Pleasant, Iowa, and the predominate agricultural territory in Henry, Jefferson, Van Buren and Lee 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mount Pleasant Community School District has included all funds, organizations, account groups, 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 Mount Pleasant Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Henry, Jefferson, Van Buren and Lee Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Cash, Pooled Investments and Cash Equivalents

The cash balance 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 purpose 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.

E. Property Taxes

Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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.

F. Inventories

General Fund inventories are valued at cost using the first-in and first-out method. The inventories consist of supplies, and are recorded as expenditures when consumed rather than when purchased.

the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004.

K. Long-term Obligations

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.

L. Fund Balances

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.

M. 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.

Note 2. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the District's Board of Education annually adopts a single district wide budget and approves the related appropriations following required public notice and hearing for all funds. The budgets and related appropriations as well as the financial statements are prepared on the modified accrual basis or accrual basis of accounting. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of disbursements known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

The Board of Education follows these procedures in establishing budgetary data reflected in the financial statements:

1. In accordance with the Statutes of the State of Iowa, prior to February 15, the Board Secretary submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures or expenses and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding years. This budget is submitted in summary form, with an administrative control. The legal level of control for the detailed budget is at the functional area level.

2. Public hearings are required to be conducted to obtain taxpayer comment.

3. Prior to April 15, the budget is legally enacted through certification from the County Auditor.

4. Management is authorized to transfer budgeted amounts between departments within any functional area; however, any revisions that alter the total expenditures or expenses of any functional area must be approved by the Board of Education.

5. The Board of Education may amend the budget during the year by holding public hearings and certifying the amendment with the County Auditor. During the year

withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	$ 1,660,230	$ 9,032	$ 1,649,000	$ 13,695
2004-05A	6/30/04	6/30/05	1,921,357	0	1,911,000	0
Total			$ 3,581,587	$ 9,032	$ 3,560,000	$ 13,695

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity was noted in the General Fund for the year ended June 30, 2004.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.000%	1.050%
2004-05A	3.000%	2.463%

Note 6. Capital Assets

A summary of changes in property and equipment comprising capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 185,400	0	0	185,400
Total capital assets not being depreciated	185,400	0	0	185,400
Capital assets being depreciated:				
Buildings	16,033,875	140,743	0	16,174,618
Improvements other than buildings	986,132	0	0	986,132
Furniture and equipment	3,008,574	56,282	189,861	2,874,995
Total capital assets being depreciated	20,028,581	197,025	189,861	20,035,745
Less accumulated depreciation for:				
Buildings	3,096,482	323,161	0	3,419,643
Improvements other than buildings	664,977	31,216	0	696,193
Furniture and equipment	2,526,451	244,313	189,861	2,580,903
Total accumulated depreciation	6,287,910	598,690	189,861	6,696,739
Total capital assets being depreciated, net	13,740,671	(401,665)	0	13,339,006
Governmental activities capital assets, net	$ 13,926,071	(401,665)	0	13,524,406

Bonded debt

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

Year Ending June 30,	Bond Issue of April 1, 2001		Bond Issue of March 1, 2003	
	Principal	Interest	Principal	Interest
2005	$ 50,000	204,990	$ 415,000	39,010
2006	50,000	202,990	420,000	32,370
2007	50,000	200,990	425,000	24,390
2008	55,000	198,940	435,000	14,828
2009	395,000	196,630	110,000	3,300
2010-14	3,030,000	644,684	-	-
2015-17	940,000	55,930	-	-
Total	$ 4,570,000	1,705,154	$ 1,805,000	113,898

Year Ending June 30,	Bond Issue of May 1, 1998		Total	
	Principal	Interest	Principal	Interest
2005	$ 80,000	95,460	$ 545,000	339,460
2006	80,000	91,700	550,000	327,060
2007	85,000	87,940	560,000	313,320
2008	90,000	83,946	580,000	297,714
2009	90,000	79,716	595,000	279,646
2010-14	495,000	331,510	3,525,000	976,194
2015-17	1,020,000	137,560	1,960,000	193,490
Total	$ 1,940,000	907,832	$ 8,315,000	2,726,884

School Bus Lease

During the year ended June 30, 2002 and June 30, 2003, the District entered in to lease agreements with Blue Bird and Harco Leasing Co., respectively. The details of the repayment of this lease are as follows:

Year Ending June 30,	Bus lease of July 10, 2001		Bus lease of December 12, 2002	
	Principal	Interest	Principal	Interest
2005	$ 117,592	14,045	$ 21,110	3,369
2006	-	-	22,178	2,301
2007	-	-	23,301	1,179
	$ 117,592	14,045	$ 66,589	6,849

Note 11. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual 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 $559,365, $536,962, and $501,040 respectively, equal to the required contributions for each year.

Note 12. Risk Management

Mount Pleasant Community School District is a member in the Southeast Iowa School Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. The Southeast Iowa School Employees Benefits Health Plan (SEISHP) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. SEISHP was formed for the purpose of managing and funding employee benefits. SEISHP provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

Each members' contributions to the SEISHP funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, SEISHP's general and administrative expenses, claims, claims expenses and insurance expense due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to SEISHP for the year ended June 30, 2004 were $886,277.

Payments from participating members are used to buy health insurance from Wellmark and paying dental and vision claims. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. SEISHP will pay claims incurred before the termination date.

Mount Pleasant Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13. 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 $576,385 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.

Required Supplementary Information

	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance - Positive (Negative)
	$ 7,881,638	$ 7,436,364	$ 7,436,364	$ 445,274
	8,294,484	8,898,175	8,898,175	(603,691)
	923,978	810,000	810,000	113,978
	17,100,100	17,144,539	17,144,539	(44,439)
	10,343,640	10,532,000	10,350,000	6,360
	3,853,187	4,061,825	3,998,500	145,313
	764,458	693,500	725,000	(39,458)
	1,949,564	1,903,232	2,100,000	150,436
	16,910,849	17,190,557	17,173,500	262,651
	189,251	(46,018)	(28,961)	218,212
	2,273	0	0	2,273
	191,524	(46,018)	(28,961)	220,485
	1,272,729	1,001,915	1,001,915	270,814
	$ 1,464,253	$ 955,897	$ 972,954	$ 491,299

Other Supplementary Information

Mount Pleasant Community School District

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Management Fund

This fund accounts for property taxes collected to pay property and boiler insurance, fidelity bonds, worker's compensation, liability insurance premiums, unemployment insurance claims and early retirement incentives.

Student Activity Fund

This fund accounts for funds raised by student groups. Under State Law, the Board retains responsibility for Student Activity Fund's ultimate disposition.

Physical Plant and Equipment Levy Fund

This fund accounts for property taxes collected to pay for purchase and improvement of grounds, purchase of buildings, major repairs, remodeling, reconstruction, improving or expanding the schoolhouses or buildings, expenditures for energy conservation and for equipment purchases. The purchase of transportation vehicles also qualify under the law.

Capital Projects Fund

This fund accounts for the revenue received from the sale of bonds and the proceeds from Local Option Sales and Service Tax issues. Expenditures relating to the acquisition, construction, remodeling, repairing, improving or expanding school facilities are authorized by the Code of Iowa.

Debt Service Fund

This fund accounts for the payment of principal and interest on District's general long-term debt.

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	Special Revenue Funds						
	Manage-ment	Student Activity	Physical Plant and Equipment Levy	Total	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	$ 224,300	$ 0	$ 402,769	$ 627,069	$ 6,360	$ 895,660	$ 1,529,089
Other	25	428,710	798	429,533	190	0	429,723
Federal sources	0	0	121,584	121,584	0	0	121,584
TOTAL REVENUES	224,325	428,710	525,151	1,178,186	6,550	895,660	2,080,396
EXPENDITURES:							
Current:							
Instruction:							
Other instruction	0	457,613	0	457,613	0	0	457,613
Support services:							
Administration services	234,252	0	26,307	260,559	0	0	260,559
Student transportation	0	0	1,101	1,101	0	0	1,101
Other expenditures:							
Facilities acquisition and construction services	0	0	291,286	291,286	0	0	291,286
Long-term Debt:							
Principal	0	0	0	0	0	695,838	695,838
Interest and fiscal charges	0	0	0	0	0	386,055	386,055
TOTAL EXPENDITURES	234,252	457,613	318,694	1,010,559	0	1,081,893	2,092,452
Excess(deficiency) of revenues over(under) expenditures	(9,927)	(28,903)	206,457	167,627	6,550	(186,233)	(12,056)
OTHER FINANCING SOURCES(USES):							
Operating transfer in	0	0	0	0	0	199,536	199,536
Operating transfer out	0	(2,284)	(149,304)	(151,588)	0	0	(151,588)
	0	(2,284)	(149,304)	(151,588)	0	199,536	47,948
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(9,927)	(31,187)	57,153	16,039	6,550	13,303	35,892
FUND BALANCE BEGINNING OF YEAR	85,907	189,898	170,064	445,869	9,125	31,890	486,884
FUND BALANCE END OF YEAR	$ 75,980	$ 158,711	$ 227,217	$ 461,908	$ 15,675	$ 45,193	$ 522,776

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Statistical Section

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

GENERAL SCHOOL SYSTEM EXPENDITURES BY FUNCTION - GOVERNMENT-WIDE
Last Two Years

	Years Ended June 30,	
	2004	2003
Expenditures:		
Instruction:		
Regular instruction	$ 6,754,441	7,234,267
Special instruction	2,877,640	2,153,871
Other instruction	666,463	654,430
Support services:		
Student services	269,415	268,432
Instructional staff services	646,894	677,927
Adminstration services	1,506,863	1,420,849
Operation and maintenance of plant services	1,002,220	1,005,065
Transportation services	585,850	655,652
Non-instructional programs:		
Nutrtion services	743,172	689,460
Community service and education program	31,137	16,589
Other:		
Facilities acquisitions	345,155	91,779
Long-term debt interest	352,661	483,699
AEA flow-through	576,385	597,757
Depreciation(unallocated)	361,153	354,116
Total	$ 16,719,449	16,303,893

Note: Information for years prior to 2003 is not available.

Source: School District financial records.

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

GENERAL FUND EXPENDITURES, BY PROGRAM AND/OR FUNCTION

LAST TEN FISCAL YEARS

Expenditures by Function

Fiscal Year Ended June 30	Instruction	Support Services	Non-Instructional Programs	Other Expenditures and Other Financing Uses	Total Expenditures
2004	$9,886,027	$3,591,527	$21,286	$626,617	$14,125,457
2003	9,612,139	3,605,227	21,322	648,058	13,886,746
2002	9,097,747	3,654,052	10,266	661,832	13,423,897
2001	8,617,562	3,902,077	9,696	678,498	13,207,833
2000	8,622,564	4,029,250	9,913	648,811	13,310,538
1999	7,787,101	3,814,693	13,872	569,566	12,185,232
1998	7,403,278	3,529,357	3,297	549,792	11,485,724
1997	7,108,231	3,327,651	10,495	553,787	11,000,164
1996	6,822,766	2,431,376	8,269	513,317	9,775,728
1995	6,811,510	2,958,655	10,237	506,767	10,287,169

Source: School District Financial Records

Utilities		Total		Ratio of Net Assessed to Total Estimated Actual Value
Net Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value	
$17,258,453	$17,258,453	$373,492,096	$529,253,429	70.6%
16,271,487	16,271,487	366,172,288	538,455,407	68.0%
15,141,258	15,141,258	363,347,009	455,593,903	79.8%
14,282,689	14,282,689	362,486,162	457,394,038	79.3%
18,924,497	18,924,497	325,609,538	421,252,395	77.3%
18,244,504	18,330,751	311,257,926	407,839,139	76.3%
18,314,613	18,314,613	307,587,422	392,044,450	78.5%
21,609,679	21,609,679	304,519,914	382,219,514	79.7%
19,713,812	19,713,812	309,587,681	366,522,435	84.5%
16,376,384	16,376,384	303,786,856	359,121,758	84.6%

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT
PROPERTY TAX RATES PER $1,000 ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

Levy Year	Collection Year	City of Mt. Pleasant	Town of Salem	Town of Rome	Town of Westwood
2002	2003-2004				
	County	7.52094	7.52094	7.52094	7.52094
	Schools	14.09147	14.09147	14.09147	14.09147
	Community College	0.99765	0.99765	0.99765	0.99765
	City	12.63999	11.09504	11.19415	6.00009
	Total Levy	35.25005	33.70510	33.80421	28.61015
	Ratio of Mt. Pleasant Community School District to Total	38.91%	40.70%	40.58%	47.94%
2001	2002-2003				
	County	7.20526	7.20526	7.20526	7.20526
	Schools	13.95246	13.95246	13.95246	13.95246
	Community College	1.08184	1.08184	1.08184	1.08184
	City	11.51999	10.60912	10.32144	6.00017
	Total Levy	33.75955	32.84868	32.56100	28.23973
	Ratio of Mt. Pleasant Community School District to Total	40.63%	41.76%	42.13%	48.57%
2000	2001-2002				
	County	7.31041	7.31041	7.31041	0.73104
	Schools	13.71669	13.71669	13.71669	13.71669
	Community College	0.72115	0.72115	0.72115	0.72115
	City	11.41781	10.73317	10.45189	0.00000
	Total Levy	33.16606	32.48142	32.20014	15.16888
	Ratio of Mt. Pleasant Community School District to Total	41.36%	42.23%	42.60%	90.43%
1999	2000-2001				
	County	7.81962	7.81962	7.81962	7.81962
	Schools	13.79993	13.79993	13.79993	13.79993
	Community College	0.78870	0.78870	0.78870	0.78870
	City	11.08357	10.42049	11.21141	6.65983
	Total Levy	33.49182	32.82874	33.61966	29.06808
	Ratio of Mt. Pleasant Community School District to Total	41.20%	42.04%	41.05%	47.47%

Continued on following page.

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT
PROPERTY TAX RATES PER $1,000 ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

Levy Year	Collection Year	City of Mt. Pleasant	Town of Salem	Town of Rome	Town of Westwood
1994	1995-96				
	County	8.64108	8.64108	8.64108	8.64108
	Schools	12.93570	12.93570	12.93570	12.93570
	Community College	0.68114	0.68114	0.68114	0.68114
	City	12.15554	8.65952	8.13495	6.47865
	Total Levy	34.41346	30.91744	30.39287	28.73657
	Ratio of Mt. Pleasant Community School District to Total	37.59%	41.84%	42.56%	45.01%
1993	1994-95				
	County	8.42390	8.42390	8.42390	8.42390
	Schools	12.94516	12.94516	12.94516	12.94516
	Community College	0.58853	0.58853	0.58853	0.58853
	City	12.21706	8.67561	7.90831	6.49006
	Total Levy	34.17465	30.63320	29.86590	28.44765
	Ratio of Mt. Pleasant Community School District to Total	37.88%	42.26%	43.34%	45.51%

Notes: Tax rates expressed in dollars per $1,000 of assessed valuation.
The Town of Westwood did not levy a city tax for levy year 2000.

Source: Henry County Auditor

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE
AND GENERAL BONDED DEBT PER CAPITA AND PER STUDENT

LAST TEN FISCAL YEARS

Year of Collection	Population	Average Daily Membership	Assessed Values of Property *	General Bonded Debt	Ratio of Bonded Debt To Assessed Value	Bonded Debt Per Capita	Bonded Debt Per Student
2003-2004	13,300	2,150	$373,492,096	$8,315,000	2.23%	$625	$3,867
2002-2003	13,300	2,137	366,172,288	8,835,000	2.41%	664	4,134
2001-2002	13,300	2,084	363,347,009	9,285,000	2.56%	698	4,455
2000-2001	13,300	2,144	355,635,519	9,725,000	2.73%	731	4,536
1999-2000	12,278	2,171	325,609,538	9,945,000	3.05%	810	4,581
1998-1999	12,278	2,176	311,257,926	10,295,000	3.31%	838	4,731
1997-1998	12,278	2,158	307,587,422	10,620,000	3.45%	865	4,921
1996-1997	12,278	2,175	304,519,914	8,740,000	2.87%	712	4,018
1995-1996	12,278	2,178	309,587,681	0	0.00%	0	0
1994-1995	12,278	2,200	303,786,856	0	0.00%	0	0

* TOTAL NET VALUATION EXCLUDING TAX INCREMENT FINANCING VALUATION

Source: Henry County Auditor
School District Financial and Enrollment Records
Mt. Pleasant Chamber of Commerce

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

JUNE 30, 2004

Name of Governmental Unit	Total Gross Debt Outstanding	Percentage applicable to Mt. Pleasant Community School District	Mt. Pleasant Community School District Share of Debt
Mt. Pleasant Community School District	$8,315,000	100%	$8,315,000
City of Mt. Pleasant	17,602,468	100%	$17,602,468
Southeastern Community College	10,736,638	18.35%	$1,970,358
Lee County	6,382,000	0.45%	$28,993
			$27,916,819

Source: Henry County Auditor
Mt. Pleasant City Clerk
Lee County Auditor

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES

LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to Total General Fund Expenditures
2003-04	$520,000	$357,353	$877,353	$14,125,457	6.21%
2002-03	470,000	436,963	906,963	13,886,746	6.53%
2001-02	440,000	475,064	915,064	13,423,897	6.82%
2000-01	385,000	517,016	902,016	13,207,833	6.83%
1999-00	350,000	537,496	887,496	13,310,538	6.67%
1998-99	325,000	566,204	891,204	12,185,232	7.31%
1997-98	380,000	588,488	968,488	11,485,724	8.43%
1996-97	0	0	0	11,000,164	0.00%
1995-96	0	0	0	9,775,728	0.00%
1994-95	0	0	0	10,287,169	0.00%

Source: School District Financial Records

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Insured Property Values	Expenditures For Construction	Bank Deposit *
2004	$23,801,819	$291,286	$3,142,353
2003	23,370,327	99,211	3,043,004
2002	27,564,583	309,937	2,944,827
2001	27,275,135	493,165	2,392,397
2000	31,072,210	205,251	2,203,505
1999	21,933,417	5,942,676	3,275,992
1998	19,493,432	4,634,769	3,191,015
1997	17,900,280	659,836	1,618,383
1996	18,300,676	0	2,765,476
1995	19,114,500	0	2,476,476

* School District's General Fund bank deposit at June 30.

Source: Gamrath-Doyle-Vens Insurance, Inc.
School District Financial Records

MOUNT PLEASANT COMUNNITY SCHOOL DISTRICT

PRINCIPAL TAXPAYERS

JUNE 30, 2004

Taxpayer	Type of Business	2002 Assessed Value	Percentage of Total Assessed Valuation*
Wal-Mart Inc.	Retail Warehouse Distribution	$16,647,550	4.46%
IES Utilities	Utilities	8,771,083	2.35%
Continental Telephone of Iowa	Telephone Utility	7,658,098	2.05%
Pioneer Hi-Bred International	Seed Corn Processing	5,817,210	1.56%
Mapleleaf Healthcare Center	Retirement Community	5,629,385	1.51%
BNSF Railway	Railroad	5,484,886	1.41%
Heatilator Inc.	Fireplaces and Accessories	4,001,421	1.07%
Blue Bird Body Co.	School Bus Bodies	3,232,389	0.70%
Access Energy Cooperative	Electric Utility	2,625,706	0.80%
Mt. Pleasant Warehouse	Warehouse facility	2,624,440	0.70%
Total		$62,492,168	16.73%

* 2002 Total District tax assessment is $373,492,096

Source: Henry County Auditor

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

OPEN ENROLLED STUDENTS

LAST TEN FISCAL YEARS

School Year	Open Enrollment In	Open Enrollment Out	Net Gain (Loss)
2003-04	149	61	88
2002-03	125	63	62
2001-02	87	44	43
2000-01	87	38	49
1999-00	88	43	45
1998-99	88	42	46
1997-98	85	33	52
1996-97	71	33	38
1995-96	74	29	45
1994-95	81	25	56

Source: Certified Annual Enrollment

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

FINANCIAL SOLVENCY RATIO

LAST TEN FISCAL YEARS

School Year	Unreserved, Undesignated General Fund Balance	Actual Revenues	Financial Solvency Ratio*
2003-04	$673,977	$14,323,071	4.71%
2002-03	448,266	13,951,357	3.21%
2001-02	323,617	13,203,166	2.45%
2000-01	563,056	13,315,530	4.23%
1999-00	529,393	12,687,223	4.17%
1998-99	1,205,907	12,044,396	10.01%
1997-98	1,328,554	11,574,502	11.48%
1996-97	1,107,195	11,175,425	9.91%
1995-96	883,152	10,374,901	8.51%
1994-95	723,192	10,354,049	6.98%

* Financial Solvency Ratio = $\frac{\text{Undesignated, Unreserved General Fund Balance}}{\text{Actual Revenues}}$

The financial solvency ratio measures movement and distribution of current assets. The financial solvency ratio represents a school district's year end position after payment of all current and outstanding or accrued liabilities.

Ranges utilized are:

TARGETED SOLVENCY POSITION:
Financial Solvency Ratio ranging from 5% to 10% of actual revenues. A school district is able to meet unforseen financing requirements and presents a sound risk for the timely repayment of short-term obligations.

ACCEPTABLE SOLVENCY POSITION:
Financial Solvency Ratio ranging from 0 to 4.99% of actual revenues. Fund balance is considered adequate for short-term credit purposes as long as other local economic trends, such as property tax collections and enrollment are sound.

SOLVENCY ALERT:
A solvency alert exists if the school corporation has a negative solvency ratio up to -3.0% of actual revenues. A negative solvency position in this range warrants prompt management response but could be caused by operating revenue/expenditure fluctuations within one budget year.

SOLVENCY CONCERN:
A solvency concern exists if the school corporation has a negative solvency ratio in excess of -3.0% of actual revenues.

Source: School District Financial Records

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

STAFFING LEVELS*

LAST TEN FISCAL YEARS

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Administration										
Superintendent	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Principals	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Assistant Principals	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
All other administrators	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Total Administration	12.8	12.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8
Instructors										
Regular Program Teachers	130.9	132.8	132.7	131.9	129.2	125.0	123.8	127.6	129.0	121.2
Special Education Teachers	21.0	19.0	18.8	19.0	21.0	22.3	22.3	20.0	19.6	16.0
Counselors	3.0	3.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.5
Media Specialists	1.0	1.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Instructors	155.9	155.8	160.5	159.9	159.2	156.3	155.1	156.6	157.6	145.7
Support Personnel										
Nurses	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Clerical	17.7	17.7	18.0	17.5	17.5	17.5	17.5	17.0	17.0	17.0
Paraeducators, Regular	17.0	19.5	17.0	21.0	18.3	16.6	13.5	11.2	15.0	9.6
Paraeducators, Special Ed.	31.0	30.0	29.0	25.5	22.0	20.0	16.0	16.0	15.0	15.0
Custodial and Maintenance	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Food Service	16.4	16.4	16.4	14.3	15.0	15.0	13.0	12.6	12.9	14.9
Bus Drivers	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Total Support Personnel	110.1	111.6	108.4	106.3	99.8	96.1	87.0	83.8	86.9	83.5
Total District Staff	278.8	280.2	282.7	280.0	272.8	266.2	255.9	254.2	258.3	243.0

* FTE (full time equivalent) as of the third Friday in September

Source: District Human Resources Department

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY MEMBERSHIP (ADM),
AVERAGE DAILY ATTENDANCE (ADA) AND RATIO OF ADA TO ADM

LAST TEN FISCAL YEARS

Fiscal Year Ending June 30,	Average Daily Membership (ADM)	Average Daily Attendance (ADA)	Ratio of ADA to ADM
2004	2150	2045	95.12%
2003	2137	2033	95.13%
2002	2084	1990	95.49%
2001	2144	2047	95.48%
2000	2171	2068	95.26%
1999	2176	2061	94.72%
1998	2158	2060	95.46%
1997	2175	2060	94.71%
1996	2178	2052	94.21%
1995	2200	2103	95.59%

Source: District enrollment records

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT

SUMMARY OF BUILDING CONSTRUCTION

Building	Project	Year	Square Footage	Total Square Footage
Elementary Schools:				
Harlan	Original Building	1955	12,410	
	Addition	1999	25,000	37,410
Lincoln	Original Building	1950	10,935	
	Addition	1999	25,000	35,935
Salem	Original Building	1963	12,465	
	Media Center	1991	1,152	13,617
Van Allen	Original Building	1963	19,050	
	Addition	1989	20,500	39,550
Middle School:				
Middle School	Original Building	1909	24,370	
	Addition	1976	43,000	67,370
High School:				
High School	Original Building	2000	115,000	115,000
Other District Facilities:				
Bus Garage	Original Building	1963	2,266	2,266
Central Receiving/ Building and Grounds/ Alternative High School	Original Building	1976	11,666	11,666
Athletic Complex	Original Building	1979	10,000	10,000

Source: District Research Department

Internal Controls and Compliance Section

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
DEPARTMENT OF EDUCATION(CONTINUED):			
GREAT RIVER AREA EDUCATION AGENCY(CONTINUED):			
SPECIAL EDUCATION -			
GRANTS TO STATES (PART B)	84.027	FY 04	77,569
SPECIAL EDUCATION -			
GRANTS TO STATES (SUCCESS 4)	84.027	FY 03	13,923
SPECIAL EDUCATION -			
GRANTS TO STATES (SUCCESS 4)	84.027	FY 04	4,637
			18,560
TITLE I - ACCOUNTABILITY GRANTS			
(DATA DRIVEN LEADERSHIP)	84.348	FY 04	1,800
TOTAL			$ 926,243

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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. Prior year reportable conditions have all been resolved.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mount Pleasant Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

August 31, 2004

relatively low level the risk that non-compliance 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Mount Pleasant Community School District and other parties to whom Mount Pleasant Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

August 31, 2004

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

MOUNT PLEASANT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the non-instructional functional program areas.

Recommendation - The District should have amended the budget in accordance with Chapter 24.9 before the expenditures exceeded the budget.

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

Conclusion - Response accepted.

IV-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-04 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Sharlene Bertling, Bd. Member, Co-owner of Dave's Super Value	General food and supplies	$2,447

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction appears to represent a conflict of interest.

Recommendation - The District should consult legal counsel.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

IV-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.