

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Table of Contents
 June 30, 2005

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-13
Basic Financial Statements	<u>Exhibit</u>
Government-wide Financial Statements	
Statement of Net Assets	A 15-16
Statement of Activities	B 17-18
Governmental Fund Financial Statements	
Balance Sheet	C 19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 20
Statement of Revenues, Expenditures and Changes in Fund Balances	E 21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
Proprietary Fund Financial Statements	
Statement of Net Assets	G 24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 25
Statement of Cash Flows	I 26
Notes to Financial Statements	27-38
Required Supplementary Information	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	40
Notes to Required Supplementary Information - Budgetary Reporting	41

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Table of Contents
June 30, 2005

Other Supplementary Information	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds		
Combining Balance Sheet	1	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	44
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	45-46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	47
 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters		 48-49
 Schedule of Findings		 50-51
 Audit Staff		 52

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2004 Election)		
Julie Edmonds	Board President	2004
Frank Hedges	Board Member	2004
Melodee Kennedy	Board Member	2004
Michael Brown	Board Member	2005
Richard Pfeiff	Board Member	2005
Sherri Spence	Board Member	2006
Kathryn Whisler	Board Member	2006
(After September 2004 Election)		
Richard Pfeiff	Board President	2005
Michael Brown	Board Member	2005
Sherri Spence	Board Member	2006
Kathryn Whisler	Board Member	2006
Frank Hedges	Board Member	2007
Melodee Kennedy	Board Member	2007
Julie Edmonds	Board Member	2007
School Officials		
Fred Whipple	Superintendent	2005
Pat Heitmeier	District Secretary/Treasurer	2005
Brian Gruhn	Attorney	2005

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Mediapolis Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District, Mediapolis, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that 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, the business type activities, each major fund, and the aggregate remaining fund information of Mediapolis Community School District as of June 30, 2005, 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.

In accordance with Government Auditing Standards, I have also issued my report dated October 25, 2005 on my consideration of Mediapolis Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mediapolis Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Kay L. Chapman, CPA PC
October 25, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mediapolis Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,586,895 in fiscal 2004 to \$6,849,290 in fiscal 2005, while General Fund expenditures decreased from \$6,358,615 in fiscal 2004 to \$6,349,513 in fiscal 2005. The District's General Fund balance increased from \$340,644 in fiscal 2004 to \$849,190 in fiscal 2005, a 149% increase.
- In July and August 2004, Advance Roofing replaced a section of roof. The bid for this project was \$187,000. The area roofed was above the concourse, office area and the north hallway and classrooms. Sidewalls were installed on the south and west walls of the HS gym and the Gym roof were replaced.
- The following efficiencies in the amount of \$66,278 were approved in the spring of 2004 and implemented beginning July 1, 2004:
 - Reduction of one Elementary teaching position by attrition. The cost savings from this was \$37,000.
 - Reduction of .75% FTE in the Band/Vocal Music staff with a cost savings of \$29,278.
- Negotiations with MCEA concluded with a 2-year settlement. Salaries for 2004-05 increased 4.06% for a total package cost of \$124,918. Salaries for 2005-06 will increase 4.02%.
- The District continued to update the school bus fleet with the purchase of two buses in April 2005. The two new school buses cost \$116,698 and were purchased using PPEL and General Fund dollars.
- Enrollment was down in September 2005 to 892.8 from 907.6 in the previous year. This is a 1.63% decrease.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mediapolis Community School District as a whole and present an overall view of the District's finances.

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 program is included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one Internal Service fund, the Flex Spending Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

	Condensed Statement of Net Assets						
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 7,547,448	\$ 4,104,801	\$ 43,286	\$ 55,443	\$ 7,590,734	\$ 4,160,244	82.46%
Capital assets	<u>9,573,840</u>	<u>9,660,342</u>	<u>69,818</u>	<u>81,497</u>	<u>9,643,658</u>	<u>9,741,839</u>	-1.01%
Total assets	<u>17,121,288</u>	<u>13,765,143</u>	<u>113,104</u>	<u>136,940</u>	<u>17,234,392</u>	<u>13,902,083</u>	23.97%
Long-term obligations	2,292,381	3,104,564	-	-	2,292,381	3,104,564	-26.16%
Other liabilities	<u>5,536,093</u>	<u>2,679,665</u>	<u>295</u>	<u>4,623</u>	<u>5,536,388</u>	<u>2,684,288</u>	106.25%
Total liabilities	<u>7,828,474</u>	<u>5,784,229</u>	<u>295</u>	<u>4,623</u>	<u>7,828,769</u>	<u>5,788,852</u>	35.24%
Net assets							
Invested in capital assets, net of related debt	7,343,840	6,610,342	69,818	81,497	7,413,658	6,691,839	10.79%
Restricted	1,104,572	1,042,729	-	-	1,104,572	1,042,729	5.93%
Unrestricted	<u>844,402</u>	<u>327,843</u>	<u>42,991</u>	<u>50,820</u>	<u>887,393</u>	<u>378,663</u>	134.35%
Total net assets	<u>\$ 9,292,814</u>	<u>\$ 7,980,914</u>	<u>\$ 112,809</u>	<u>\$ 132,317</u>	<u>\$ 9,405,623</u>	<u>\$ 8,113,231</u>	15.93%

The District's combined net assets increased by approximately 16%, or \$1,292,392, 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 by \$61,843, or approximately 6% from the prior year. The increase was primarily a result the payment of the bonds that funded the building projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$508,730 or approximately 135%. The School District's improved financial position is the product of many factors. Growth during the year is directly related to several years of budget efficiencies and increases in the cash reserve levy.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for service and sales	\$ 707,317	\$ 919,870	\$ 202,197	\$ 205,289	\$ 909,514	\$ 1,125,159
Operating grants, contributions and restricted interest	748,708	432,249	118,870	121,607	867,578	553,856
General revenues						
Property and sales tax	3,975,521	4,051,406	-	-	3,975,521	4,051,406
Unrestricted state grants	3,122,192	2,934,478	-	-	3,122,192	2,934,478
Unrestricted investment earnings	103,904	107,638	716	1,294	104,620	108,932
Contributions and donations	1,200	-	-	-	1,200	-
Other	20,091	53,230	-	-	20,091	53,230
Gain (loss) on disposal of capital assets	<u>8,056</u>	<u>(80,316)</u>	<u>-</u>	<u>-</u>	<u>8,056</u>	<u>(80,316)</u>
Total revenues	<u>8,686,989</u>	<u>8,418,555</u>	<u>321,783</u>	<u>328,190</u>	<u>9,008,772</u>	<u>8,746,745</u>
Program expenses						
Governmental activities						
Instruction	4,491,204	4,473,182	-	-	4,491,204	4,473,182
Support services	1,908,728	1,987,569	-	-	1,908,728	1,987,569
Non-instructional programs	3,396	3,187	341,291	333,063	344,687	336,250
Other expenses	<u>971,761</u>	<u>751,675</u>	<u>-</u>	<u>-</u>	<u>971,761</u>	<u>751,675</u>
Total expenses	<u>7,375,089</u>	<u>7,215,613</u>	<u>341,291</u>	<u>333,063</u>	<u>7,716,380</u>	<u>7,548,676</u>
Change in net assets	<u>\$ 1,311,900</u>	<u>\$ 1,202,942</u>	<u>\$ (19,508)</u>	<u>\$ (4,873)</u>	<u>\$ 1,292,392</u>	<u>\$ 1,198,069</u>

Property tax and unrestricted state grants account for 79% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$8,686,989 and expenses were \$7,375,089. The District continues to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental
Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 4,491,204	\$ 3,289,772
Support services	1,908,728	1,907,515
Non-instructional programs	3,396	3,396
Other expenses	<u>971,761</u>	<u>718,381</u>
Total expenses	<u>\$ 7,375,089</u>	<u>\$ 5,919,064</u>

- The cost financed by users of the District's programs was \$707,317.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$748,708.
- The net cost of governmental activities was financed with \$3,975,521 in property and other taxes and \$3,122,192 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$321,783 and expenses were \$341,291. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District did not increase lunch prices. The Board was aware the Nutrition Fund would not generate adequate revenue to cover the costs. Lunch prices will be reviewed in the future and adjusted if necessary.

INDIVIDUAL FUND ANALYSIS

As previously noted, Mediapolis Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,037,155, well above last year's ending fund balances of \$1,452,083. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to strict budget efficiencies implemented over a two-year period and levying for cash reserve of \$280,000 for this fiscal year.

Governmental Fund Highlights

- The District's General Fund financial position showed improvement over the previous year. Cash reserve levy helped to boost revenue; while expenditures were decreased by stringent budget efficiencies.
- The General Fund balance increased from \$340,644 to \$849,190, due in part to budget efficiencies and the use of the cash reserve levy.
- The Debt Service Fund balance decreased from \$62,574 in fiscal 2004 to \$61,663 in fiscal 2005. The decrease is due to interest earned on accumulated monies prior to payments being made.
- The Capital Projects Fund balance decreased from \$800,066 in fiscal 2004 to \$720,512 in fiscal 2005 due to payment on the MS/HS Renovation Project that is paid with local option sales tax funds and site improvement projects being funded with excess local option sales tax.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$132,317 at June 30, 2004 to \$112,809 at June 30, 2005, representing a decrease of approximately 15%. The decrease is attributed to lunch prices not being increased while wages and food costs have increased. The Board will monitor this situation.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service Funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a GAAP basis and was amended in fiscal year 2005 to increase expenditures by \$1,200,000.

The District's receipts were \$43,849 more than budgeted receipts, a variance of less than 1%. The most significant variance resulted from the District receiving more in interest on the local option sales tax investments.

Total expenditures were \$2,101,323 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$9,643,658 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 1% 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 \$322,514.

The original cost of the District's capital assets was \$13,871,533. Governmental funds account for \$13,708,359, with the remainder of \$163,174 accounted for in the Proprietary, School Nutrition Fund.

The biggest increase was in the furniture and equipment category due to purchase of school buses and other equipment.

The biggest increase was in the furniture and equipment category due to purchase of school buses and other equipment.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	
Land	\$ 65,743	\$ 65,743	\$ -	\$ -	\$ 65,743	\$ 65,743	0.00%
Buildings and improvements	8,841,355	9,060,650	-	-	8,841,355	9,060,650	-2.42%
Improvements, other than buildings	219,588	232,594	-	-	219,588	232,594	-5.59%
Furniture and equipment	<u>447,154</u>	<u>301,355</u>	<u>69,818</u>	<u>81,497</u>	<u>516,972</u>	<u>382,852</u>	35.03%
Totals	<u>\$9,573,840</u>	<u>\$ 9,660,342</u>	<u>\$69,818</u>	<u>\$81,497</u>	<u>\$9,643,658</u>	<u>\$9,741,839</u>	-1.01%

Long-Term Debt

At June 30, 2005, the District had \$2,292,381 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 21% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total		Total Change
	School District		
	<u>2005</u>	<u>2004</u>	
General obligation bonds	\$ 545,000	\$ 970,000	-43.81%
Revenue bonds	1,685,000	2,080,000	-18.99%
Compensated absences	2,097	5,583	-62.44%
Early retirement	<u>60,284</u>	<u>48,981</u>	0.00%
Total	<u>\$ 2,292,381</u>	<u>\$ 3,104,564</u>	-26.16%

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 area of roof over the kitchen and several Elementary classrooms will be replaced.
- The Administration building will be remodeled to better suit the needs of the District.
- The District continues to experience a small decline in enrollment.
- Two buses will be purchased in 2005-2006. Several more buses will need replacement in the following years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

Exhibit A

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents			
ISCAP	\$ 1,877,025	\$ -	\$ 1,877,025
Cash with fiscal agent	603,347	-	603,347
Other	2,014,631	35,283	2,049,914
Receivables			
Property tax			
Delinquent	26,674	-	26,674
Succeeding year	2,852,096	-	2,852,096
Accrued interest			
ISCAP	13,333	-	13,333
Accounts receivable	39,419	-	39,419
Due from other governments	120,923	-	120,923
Inventories	-	8,003	8,003
Capital assets, net of accumulated depreciation	9,573,840	69,818	9,643,658
Total assets	17,121,288	113,104	17,234,392
LIABILITIES			
Accounts payable	160,578	295	160,873
Salaries and benefits payable	573,718	-	573,718
Due to other governments	24,356	-	24,356
Accrued interest payable	23,109	-	23,109
Deferred revenue - succeeding year property tax	2,852,096	-	2,852,096
ISCAP warrants payable	1,870,000	-	1,870,000
ISCAP accrued interest payable	14,360	-	14,360
ISCAP unamortized premium payable	17,876	-	17,876
Long-term liabilities			
Portion due within one year			
Bonds payable	435,000	-	435,000
Revenue bonds payable	410,000	-	410,000
Early retirement	30,142	-	30,142

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
LIABILITIES (continued)			
Long-term liabilities (continued)			
Portion due after one year			
Bonds payable	\$ 110,000	\$ -	\$ 110,000
Revenue bonds payable	1,275,000	-	1,275,000
Early retirement	30,142	-	30,142
Compensated absences	2,097	-	2,097
Total liabilities	<u>7,828,474</u>	<u>295</u>	<u>7,828,769</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,343,840	69,818	7,413,658
Restricted for			
Management levy	9,864	-	9,864
Physical plant and equipment levy	211,609	-	211,609
Other special revenue purposes	124,033	-	124,033
Capital projects	720,512	-	720,512
Debt service	38,554	-	38,554
Unrestricted	844,402	42,991	887,393
Total net assets	<u>\$ 9,292,814</u>	<u>\$ 112,809</u>	<u>\$ 9,405,623</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2005

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
<u>Functions/Programs</u>							
Governmental activities							
Instruction							
Regular instruction	\$ 3,059,365	\$ 627,889	\$ 353,154	\$ -	\$ (2,078,322)	\$ -	\$ (2,078,322)
Special instruction	845,138	78,215	124,829	-	(642,094)	-	(642,094)
Other instruction	586,701	-	17,345	-	(569,356)	-	(569,356)
	<u>4,491,204</u>	<u>706,104</u>	<u>495,328</u>	<u>-</u>	<u>(3,289,772)</u>	<u>-</u>	<u>(3,289,772)</u>
Support services							
Student services	176,336	-	-	-	(176,336)	-	(176,336)
Instructional staff services	95,705	-	-	-	(95,705)	-	(95,705)
Administration services	767,260	-	-	-	(767,260)	-	(767,260)
Operation and maintenance of plant services	448,411	1,117	-	-	(447,294)	-	(447,294)
Transportation services	421,016	96	-	-	(420,920)	-	(420,920)
	<u>1,908,728</u>	<u>1,213</u>	<u>-</u>	<u>-</u>	<u>(1,907,515)</u>	<u>-</u>	<u>(1,907,515)</u>
Non-instructional programs	<u>3,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,396)</u>	<u>-</u>	<u>(3,396)</u>
Other expenditures							
Facilities acquisition	342,111	-	-	-	(342,111)	-	(342,111)
Long-term debt interest	125,259	-	-	-	(125,259)	-	(125,259)
AEA flowthrough	253,380	-	253,380	-	-	-	-
Depreciation (unallocated) *	251,011	-	-	-	(251,011)	-	(251,011)
	<u>971,761</u>	<u>-</u>	<u>253,380</u>	<u>-</u>	<u>(718,381)</u>	<u>-</u>	<u>(718,381)</u>
Total governmental activities	<u>7,375,089</u>	<u>707,317</u>	<u>748,708</u>	<u>-</u>	<u>(5,919,064)</u>	<u>-</u>	<u>(5,919,064)</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses for Services	Charges and Restricted Interest	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs (continued)						
Business type activities						
Non-instructional programs						
Nutrition services	\$ 341,291	\$ 202,197	\$ 118,870	\$ -	\$ (20,224)	\$ (20,224)
Total	\$ 7,716,380	\$ 909,514	\$ 867,578	\$ (5,919,064)	\$ (20,224)	\$ (5,939,288)

General Revenues

Property tax levied for						
General purposes						2,617,297
Capital projects						209,426
Debt service						455,374
Local sales and services tax						693,424
Unrestricted state grants						3,122,192
Unrestricted investment earnings					716	104,620
Contributions and donations						1,200
Other						20,091
Gain on disposal of capital assets						8,056
Total general revenues					716	7,230,964
Change in net assets					(19,508)	1,292,392
Net assets, beginning of year					132,317	8,113,231
Net assets, end of year					\$ 112,809	\$ 9,405,623

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

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
ASSETS					
Cash and pooled investments					
ISCAP	\$ 1,877,025	\$ -	\$ -	\$ -	\$ 1,877,025
Cash with fiscal agent	-	603,347	-	-	603,347
Other	1,371,983	193,986	57,435	392,798	2,016,202
Receivables					
Property tax					
Delinquent	19,849	-	4,228	2,597	26,674
Succeeding year	2,120,447	-	451,723	279,926	2,852,096
Accounts receivable	6,899	-	-	32,520	39,419
Accrued interest					
ISCAP	13,333	-	-	-	13,333
Due from other funds	48,829	-	-	-	48,829
Due from other governments	38,922	82,001	-	-	120,923
Total assets and other debits	<u>\$ 5,497,287</u>	<u>\$ 879,334</u>	<u>\$ 513,386</u>	<u>\$ 707,841</u>	<u>\$ 7,597,848</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 29,336	\$ 109,993	\$ -	\$ 20,129	\$ 159,458
Salaries and benefits payable	571,722	-	-	1,996	573,718
Due to other funds	-	48,829	-	-	48,829
Due to other governments	24,356	-	-	-	24,356
ISCAP warrants payable	1,870,000	-	-	-	1,870,000
ISCAP accrued interest payable	14,360	-	-	-	14,360
ISCAP unamortized premium	17,876	-	-	-	17,876
Deferred revenue					
Succeeding year property tax	2,120,447	-	451,723	279,926	2,852,096
Total liabilities	<u>4,648,097</u>	<u>158,822</u>	<u>451,723</u>	<u>302,051</u>	<u>5,560,693</u>
Fund balances					
Reserved for					
Debt service	-	-	61,663	-	61,663
Unreserved, undesignated	849,190	720,512	-	405,790	1,975,492
Total fund balances	<u>849,190</u>	<u>720,512</u>	<u>61,663</u>	<u>405,790</u>	<u>2,037,155</u>
Total liabilities and fund balances	<u>\$ 5,497,287</u>	<u>\$ 879,334</u>	<u>\$ 513,386</u>	<u>\$ 707,841</u>	<u>\$ 7,597,848</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2005

Exhibit D

Total fund balances of governmental funds	\$ 2,037,155
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,573,840
The Internal Service Fund is used by management to charge the costs of funding the District's flexible benefit plan. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	(2,691)
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.	(23,109)
Long-term liabilities, including early retirement, compensated absences, bonds payable and revenue bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,292,381)</u>
Net assets of governmental activities	<u>\$ 9,292,814</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues					
Local sources					
Local tax	\$ 2,455,889	\$ 693,424	\$ 455,000	\$ 368,835	\$ 3,973,148
Tuition	377,139	-	-	-	377,139
Other	143,594	34,766	1,361	275,652	455,373
State sources	3,640,604	-	374	231	3,641,209
Federal sources	232,064	-	-	-	232,064
Total revenues	<u>6,849,290</u>	<u>728,190</u>	<u>456,735</u>	<u>644,718</u>	<u>8,678,933</u>
Expenditures					
Current					
Instruction					
Regular instruction	2,968,469	-	-	92,743	3,061,212
Special instruction	845,138	-	-	-	845,138
Other instruction	342,909	-	-	243,254	586,163
	<u>4,156,516</u>	<u>-</u>	<u>-</u>	<u>335,997</u>	<u>4,492,513</u>
Support services					
Student services	174,176	-	-	2,160	176,336
Instructional staff services	94,265	-	-	1,440	95,705
Administration services	748,268	-	-	17,433	765,701
Operation and maintenance of plant services	443,232	-	-	1,080	444,312
Transportation services	478,441	-	-	17,311	495,752
	<u>1,938,382</u>	<u>-</u>	<u>-</u>	<u>39,424</u>	<u>1,977,806</u>
Non-instructional programs	1,235	-	-	2,161	3,396
Other expenditures					
Facilities acquisition	-	316,199	-	110,445	426,644
Long-term debt					
Principal	-	-	820,000	-	820,000
Interest and fiscal charges	-	-	129,191	-	129,191
AEA flowthrough	253,380	-	-	-	253,380
	<u>253,380</u>	<u>316,199</u>	<u>949,191</u>	<u>110,445</u>	<u>1,629,215</u>
Total expenditures	<u>6,349,513</u>	<u>316,199</u>	<u>949,191</u>	<u>488,027</u>	<u>8,102,930</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Exhibit E

For the Year Ended June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 499,777	\$ 411,991	\$ (492,456)	\$ 156,691	\$ 576,003
Other financing sources (uses)					
Sale of materials and real property	13,069	-	-	300	13,369
Interfund operating transfers	<u>(4,300)</u>	<u>(491,545)</u>	<u>491,545</u>	<u>-</u>	<u>(4,300)</u>
Total other financing sources (uses)	<u>8,769</u>	<u>(491,545)</u>	<u>491,545</u>	<u>300</u>	<u>9,069</u>
Net change in fund balances	508,546	(79,554)	(911)	156,991	585,072
Fund balance, beginning of year	<u>340,644</u>	<u>800,066</u>	<u>62,574</u>	<u>248,799</u>	<u>1,452,083</u>
Fund balance, end of year	<u>\$ 849,190</u>	<u>\$ 720,512</u>	<u>\$ 61,663</u>	<u>\$ 405,790</u>	<u>\$ 2,037,155</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances-Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2005

Exhibit F

Net change in fund balances - total governmental funds		\$ 585,072
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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:</p>		
Capital outlays	\$ 229,646	
Depreciation expense	<u>(310,835)</u>	(81,189)
<p>Disposal of capital assets is not recorded in the governmental funds, but is recorded as a reduction in the capital asset and accumulated depreciation accounts, with a corresponding loss on sale of capital assets, in the Statement of Net Assets and Statement of Activities.</p>		
		(5,313)
<p>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.</p>		
		820,000
<p>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.</p>		
Compensated absences	3,486	
Early retirement	<u>(11,303)</u>	(7,817)
<p>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.</p>		
		3,932
<p>The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan. The change in net assets of the Internal Service Fund is reported with governmental activities</p>		
		<u>(2,785)</u>
Change in net assets of governmental activities		<u>\$ 1,311,900</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2005

Exhibit G

	<u>Business Type</u> <u>Activity</u>	<u>Governmental</u> <u>Activity</u>
	Nonmajor School Nutrition	Internal Service
ASSETS		
Cash and pooled investments	\$ 35,283	\$ -
Inventories	8,003	-
Capital assets, net of accumulated depreciation	<u>69,818</u>	<u>-</u>
Total assets	<u>113,104</u>	<u>-</u>
LIABILITIES		
Accounts payable	295	-
Negative bank balance	-	1,571
Dental claims payable	<u>-</u>	<u>1,120</u>
Total liabilities	<u>295</u>	<u>2,691</u>
NET ASSETS		
Invested in capital assets, net of related debt	69,818	-
Unreserved retained earnings	<u>42,991</u>	<u>(2,691)</u>
Total net assets	<u>\$ 112,809</u>	<u>\$ (2,691)</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

Exhibit H

	Business Type Activity	Governmental Activity
	Nonmajor School Nutrition	Internal Service
Operating revenue		
Local sources		
Charges for service	<u>\$ 202,197</u>	<u>\$ 9,241</u>
Operating expenses		
Non-instructional programs		
Salaries	110,683	-
Benefits	63,562	-
Purchased services	2,639	16,326
Supplies	152,728	-
Equipment repairs	-	-
Depreciation	<u>11,679</u>	<u>-</u>
Total operating expenses	<u>341,291</u>	<u>16,326</u>
Operating (loss)	<u>(139,094)</u>	<u>(7,085)</u>
Non-operating revenues		
Interfund operating transfers in	-	4,300
Interest income	716	-
State sources	4,702	-
Federal sources	<u>114,168</u>	<u>-</u>
Total non-operating revenues	<u>119,586</u>	<u>4,300</u>
Change in net assets	<u>(19,508)</u>	<u>(2,785)</u>
Net assets, beginning of year	<u>132,317</u>	<u>94</u>
Net assets, end of year	<u>\$ 112,809</u>	<u>\$ (2,691)</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

Exhibit I

	Business Type Activity	Governmental Activity
	Nonmajor School Nutrition	Internal Service
Cash flows from operating activities		
Cash received from sale of meals	\$ 202,197	\$ -
Cash received from miscellaneous operating activities	-	15,112
Cash payments to employees for services	(178,508)	-
Cash payments to suppliers for goods and services	<u>(134,123)</u>	<u>(15,206)</u>
Net cash used in operating activities	<u>(110,434)</u>	<u>(94)</u>
Cash flows from non-capital financing activities		
State grants received	4,702	-
Federal grants received	<u>93,751</u>	-
Net cash provided by non-capital financing activities	<u>98,453</u>	-
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>-</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>716</u>	-
Net decrease in cash and cash equivalents	(11,265)	(94)
Cash and cash equivalents, beginning of year	<u>46,548</u>	<u>94</u>
Cash and cash equivalents, end of year	<u>\$ 35,283</u>	<u>\$ -</u>
 Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (139,094)	\$ (7,085)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	11,679	-
Commodities used	20,417	-
Decrease in inventories	892	-
Increase (decrease) in accounts payable	(65)	6,991
(Decrease) in salaries and benefits payable	<u>(4,263)</u>	-
Net cash used in operating activities	<u>\$ (110,434)</u>	<u>\$ (94)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2005, the District received \$20,417 of federal commodities.

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

Note 1. Summary of Significant Accounting Policies

The Mediapolis Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. The geographic area served includes the City of Mediapolis, Iowa, and the agricultural territory in Des Moines County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mediapolis Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Mediapolis Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

The District reports no major proprietary funds. However, the District reports two nonmajor proprietary funds. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District and the Internal Service, Flex Spending Fund is utilized to account for employee flexible benefits.

C. Measurement Focus and Basis of Accounting

The government-wide, and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and early retirement are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for non-negotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Early Retirement - Certified District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2005. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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

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

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures exceeded the amounts budgeted in the Non-instructional Programs function; however, the District did not exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

Investment rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

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

The Capital Projects Fund owes the General Fund for interest on an interfund loan. The loan was repaid during fiscal year 2004, but the interest had not been paid as of June 30, 2005.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Internal Service	General	\$ 4,300
Debt Service	Capital Projects	<u>491,545</u>
Total		<u>\$ 495,845</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2004-05A	6/30/04	6/30/05	\$ 230	\$ -	\$ -	\$ -	\$ -
2004-05B	1/28/05	1/27/05	969,795	13,139	967,000	14,187	5,749
2005-06A	6/30/05	6/30/06	907,000	194	903,000	173	12,127
			<u>\$ 1,877,025</u>	<u>\$ 13,333</u>	<u>\$ 1,870,000</u>	<u>\$ 14,360</u>	<u>\$ 17,876</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

<u>Series</u>	<u>Balance, Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance, End of Year</u>
2004-05A	\$ -	\$ 125,000	\$ 125,000	\$ -

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.4630%
2004-05B	3.500%	2.2800%
2005-06A	3.500%	3.9030%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 65,743	\$ -	\$ -	\$ 65,743
Total capital assets, not being depreciated	<u>65,743</u>	<u>-</u>	<u>-</u>	<u>65,743</u>
Capital assets being depreciated:				
Buildings and improvements	11,921,438	-	-	11,921,438
Improvements other than buildings	592,529	12,099	-	604,628
Furniture and equipment	<u>1,042,003</u>	<u>217,547</u>	<u>(143,000)</u>	<u>1,116,550</u>
Total capital assets being depreciated	<u>13,555,970</u>	<u>229,646</u>	<u>(143,000)</u>	<u>13,642,616</u>
Less accumulated depreciation for:				
Buildings and improvements	2,860,788	219,295	-	3,080,083
Improvements other than buildings	359,935	25,105	-	385,040
Furniture and equipment	<u>740,648</u>	<u>66,435</u>	<u>(137,687)</u>	<u>669,396</u>
Total accumulated depreciation	<u>3,961,371</u>	<u>310,835</u>	<u>(137,687)</u>	<u>4,134,519</u>
Total capital assets being depreciated, net	<u>9,594,599</u>	<u>(81,189)</u>	<u>(5,313)</u>	<u>9,508,097</u>
Governmental activities capital assets, net	<u>\$ 9,660,342</u>	<u>\$ (81,189)</u>	<u>\$ (5,313)</u>	<u>\$ 9,573,840</u>
<u>Business-type activities</u>				
Furniture and equipment	\$ 163,174	\$ -	\$ -	\$ 163,174
Less accumulated depreciation	<u>81,677</u>	<u>11,679</u>	<u>-</u>	<u>93,356</u>
Business-type activities capital assets, net	<u>\$ 81,497</u>	<u>\$ (11,679)</u>	<u>\$ -</u>	<u>\$ 69,818</u>

Depreciation expense was charged to the following functions:

Governmental activities	
Instruction	
Regular	\$ 9,380
Other	538
Support services	
Administration	1,844
Operation and maintenance of plant	3,031
Transportation	45,031
Unallocated depreciation	<u>251,011</u>
Total governmental activities depreciation expense	<u>\$ 310,835</u>

Business type activities

Food services

\$ 11,679**Note 7. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Early retirement	\$ 48,981	\$ 45,213	\$ (33,910)	\$ 60,284	\$ 30,142
Compensated absences	5,583	2,097	(5,583)	2,097	-
General obligation bonds	970,000	-	(425,000)	545,000	435,000
Revenue anticipation bonds	<u>2,080,000</u>	<u>-</u>	<u>(395,000)</u>	<u>1,685,000</u>	<u>410,000</u>
Totals	<u>\$ 3,104,564</u>	<u>\$ 47,310</u>	<u>\$(859,493)</u>	<u>\$ 2,292,381</u>	<u>\$ 875,142</u>

Early retirement

Certified District employees who have 25 years of continuous service and are at least 55 years of age, are eligible for early retirement pay. Employees who participate in the early retirement program shall receive a benefit of \$21,000. Non-certified employees who are 55 years of age or older and have 10 years of service to the District also qualify for early retirement benefits. The retirement benefit for non-certified employees is equal to two and one-half days' pay for each year of service to the District. Early retirement expenditures for the year ended June 30, 2005 totaled \$33,910.

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	<u>Bond issue of February 4, 2002</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006	\$ 16,722	\$ 435,000	\$ 451,722
2007	<u>4,303</u>	<u>110,000</u>	<u>114,303</u>
Totals	<u>\$ 21,025</u>	<u>\$ 545,000</u>	<u>\$ 566,025</u>

Revenue Anticipation Bonds Payable

On June 1, 2000, the District issued School Infrastructure Sales and Services Tax Revenue Bonds. The proceeds of the bonds are to be used to construct and remodel a new middle school building. The bonds will be repaid by the collection of the local option sales and services tax for school infrastructure. The bonds include Series 2000A in the amount of \$3,875,000 and Series 2000B in the amount of \$400,000. The bonds are secured by a Reserve Fund, which was established under the Bond Resolution. A Sinking Fund has been established into which collections of the local option sales and service tax will be deposited. Interest and principal on the bonds will be paid from the Sinking Fund. Details of the District's June 30, 2005 revenue anticipation bonded indebtedness are as follows:

Year	Interest			
Ending	Rates	Principal	Interest	Total
<u>June 30,</u>				
2006	4.60%	\$ 410,000	\$ 78,770	\$ 488,770
2007	4.65%	430,000	59,910	489,910
2008	4.70%	445,000	39,916	484,916
2009	4.75%	<u>400,000</u>	<u>19,000</u>	<u>419,000</u>
Totals		<u>\$ 1,685,000</u>	<u>\$ 197,596</u>	<u>\$ 1,882,596</u>

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

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$236,652, \$233,113 and \$229,516 respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$253,380 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Subsequent Events

The District will be constructing a greenhouse during the summer of 2005. The cost of the project is expected to be around \$127,000. At June 30, 2005, the District had not incurred any costs related to this project.

The District will begin operating a pre-kindergarten program for the fiscal 2006 year. The program will be accounted for as an proprietary, enterprise fund and will receive revenue from tuition charged to students.

Required Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2005

	Governmental	Proprietary	Total	Less Funds	Net	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual	Actual	Not Required to be Budgeted		Original	Final	
Revenues								
Local sources	\$ 4,805,660	\$ 212,154	\$ 5,017,814	\$ (9,241)	\$ 5,008,573	\$ 4,953,478	\$ 4,953,478	\$ 55,095
State sources	3,641,209	4,702	3,645,911	-	3,645,911	3,693,389	3,693,389	(47,478)
Federal sources	232,064	114,168	346,232	-	346,232	310,000	310,000	36,232
Total revenues	<u>8,678,933</u>	<u>331,024</u>	<u>9,009,957</u>	<u>(9,241)</u>	<u>9,000,716</u>	<u>8,956,867</u>	<u>8,956,867</u>	<u>43,849</u>
Expenditures								
Instruction	4,492,513	-	4,492,513	-	4,492,513	5,010,056	5,310,056	817,543
Support services	1,977,806	-	1,977,806	-	1,977,806	2,282,512	2,582,512	604,706
Non-instructional programs	3,396	357,617	361,013	(16,326)	344,687	404,650	704,650	359,963
Other expenditures	1,629,215	-	1,629,215	-	1,629,215	1,648,326	1,948,326	319,111
Total expenditures	<u>8,102,930</u>	<u>357,617</u>	<u>8,460,547</u>	<u>(16,326)</u>	<u>8,444,221</u>	<u>9,345,544</u>	<u>10,545,544</u>	<u>2,101,323</u>
Excess (deficiency) of revenues over (under) expenditures	576,003	(26,593)	549,410	7,085	556,495	(388,677)	(1,588,677)	2,145,172
Net other financing sources, net	9,069	4,300	13,369	(4,300)	9,069	1,000	1,000	8,069
Net change in fund balance	585,072	(22,293)	562,779	2,785	565,564	(387,677)	(1,587,677)	2,153,241
Balance, beginning of year	1,452,083	132,411	1,584,494	(94)	1,584,400	1,693,993	1,693,993	(109,593)
Balance, end of year	<u>\$ 2,037,155</u>	<u>\$ 110,118</u>	<u>\$ 2,147,273</u>	<u>\$ 2,691</u>	<u>\$ 2,149,964</u>	<u>\$ 1,306,316</u>	<u>\$ 106,316</u>	<u>\$ 2,043,648</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,200,000.

During the year ended June 30, 2005, District expenditures did not exceed the amounts budgeted in any of the four functions or the General fund unspent authorized budget.

Other Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

Schedule 1

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 38,501	\$ 143,780	\$ 210,517	\$ 392,798
Receivables				
Property tax				
Current year delinquent	1,505	-	1,092	2,597
Succeeding year	160,000	-	119,926	279,926
Accounts receivable	<u>30,171</u>	<u>2,349</u>	<u>-</u>	<u>32,520</u>
 Total assets	 <u>\$ 230,177</u>	 <u>\$ 146,129</u>	 <u>\$ 331,535</u>	 <u>\$ 707,841</u>
 LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 29	\$ 20,100	\$ -	\$ 20,129
Salaries and benefits payable	-	1,996	-	1,996
Deferred revenue				
Succeeding year property tax	<u>160,000</u>	<u>-</u>	<u>119,926</u>	<u>279,926</u>
Total liabilities	160,029	22,096	119,926	302,051
 Fund Equity				
Unreserved fund balances	<u>70,148</u>	<u>124,033</u>	<u>211,609</u>	<u>405,790</u>
 Total liabilities and fund equity	 <u>\$ 230,177</u>	 <u>\$ 146,129</u>	 <u>\$ 331,535</u>	 <u>\$ 707,841</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2005

Schedule 2

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues				
Local sources				
Local taxes	\$ 159,506	\$ -	\$ 209,329	\$ 368,835
Other	3,167	268,875	3,610	275,652
State sources	134	-	97	231
Total revenues	<u>162,807</u>	<u>268,875</u>	<u>213,036</u>	<u>644,718</u>
Expenditures				
Instruction				
Regular program instruction	92,743	-	-	92,743
Other instruction	-	243,254	-	243,254
Support services				
Student services	2,160	-	-	2,160
Instructional staff services	1,440	-	-	1,440
Administration services	17,433	-	-	17,433
Operation and maintenance of plant services	1,080	-	-	1,080
Transportation services	17,311	-	-	17,311
Non-instructional programs	2,161	-	-	2,161
Other expenditures				
Facilities acquisition and construction	-	-	110,445	110,445
Total expenditures	<u>134,328</u>	<u>243,254</u>	<u>110,445</u>	<u>488,027</u>
Excess (deficiency) of revenues over (under) expenditures	28,479	25,621	102,591	156,691
Other financing sources				
Sale of real property	-	-	300	300
Net change in fund balances	28,479	25,621	102,891	156,991
Fund balances, beginning of year	<u>41,669</u>	<u>98,412</u>	<u>108,718</u>	<u>248,799</u>
Fund balances, end of year	<u>\$ 70,148</u>	<u>\$ 124,033</u>	<u>\$ 211,609</u>	<u>\$ 405,790</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance, End of Year
Athletics	\$ 25,646	\$ 80,433	\$ 64,271	\$ 8,466	\$ 50,274
Middle school athletics	-	10,157	11,763	13,689	12,083
Beverage contract	5,614	5,034	4,149	-	6,499
Cheerleaders	679	26	133	132	704
Projects	34	-	-	(34)	-
Concessions	18,756	45,492	43,110	(22,034)	(896)
Cheese & Sausage	-	-	-	-	-
FFA	11	31,391	26,671	(125)	4,606
FFA Scholarship	1,193	-	300	7	900
FCCLA	1,103	3,423	3,460	(203)	863
Band	3,941	10,074	7,886	586	6,715
High school band resale	(164)	1,586	1,723	(852)	(1,153)
High school student council	4,942	21,416	20,105	(1,743)	4,510
Vocal music	1,284	1,299	2,125	(10)	448
National Honor Society	3,593	1,636	3,086	979	3,122
Science club	440	156	156	-	440
Spanish club	18	-	-	-	18
Thespians	1,822	1,903	1,607	(9)	2,109
Yearbook	3,666	4,245	2,892	-	5,019
Econ	-	176	185	9	-
Business Professionals of America	2,693	-	117	772	3,348
Art club	2,571	1,090	1,284	-	2,377
SEEDS	288	294	91	-	491
High school account	2,165	2,563	2,010	590	3,308
Class of:					
2003	13	-	-	(13)	-
2004	743	-	-	(743)	-
2005	575	356	1,146	215	-
2006	247	3,180	3,344	955	1,038
2007	35	154	430	30	(211)
2008	-	193	-	-	193

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance, End of Year
Middle school account	\$ 3,220	\$ 5,094	\$ 6,874	\$ (10)	\$ 1,430
Middle school band	3,985	592	2,872	852	2,557
Middle school student council	4,047	7,291	10,165	-	1,173
Middle school fundraiser	-	19,561	11,882	7	7,686
Middle school social fund	-	-	-	-	-
Middle school athletics	(75)	19	-	65	9
Middle school student store	623	679	-	-	1,302
Elementary	2,054	4,565	4,538	151	2,232
Elementary art	1,555	3,607	3,449	-	1,713
Elementary candy account	-	-	-	-	-
Interest	1,095	1,190	1,430	(1,729)	(874)
Totals	<u>\$ 98,412</u>	<u>\$ 268,875</u>	<u>\$ 243,254</u>	<u>\$ -</u>	<u>\$ 124,033</u>

See accompanying Independent Auditor's Report.

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

Schedule 4

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues				
Local sources				
Local tax	\$ 3,973,148	\$ 4,048,951	\$ 3,821,730	\$ 3,445,213
Tuition	377,139	334,362	333,356	268,190
Other	455,373	486,340	475,118	411,564
State sources	3,641,209	3,451,503	3,366,057	3,298,423
Federal sources	232,064	174,926	201,411	114,966
Total revenues	<u>\$ 8,678,933</u>	<u>\$ 8,496,082</u>	<u>\$ 8,197,672</u>	<u>\$ 7,538,356</u>
Expenditures				
Instruction				
Regular instruction	\$ 3,061,212	\$ 3,042,636	\$ 2,986,782	\$ 2,972,191
Special instruction	845,138	860,062	775,694	712,769
Other instruction	586,163	597,539	657,388	596,303
Support services				
Student services	176,336	165,572	202,007	177,100
Instructional staff services	95,705	149,222	145,203	150,898
Administration services	765,701	798,523	683,532	677,081
Operation and maintenance of plant services	444,312	479,432	497,280	442,732
Transportation services	495,752	443,243	294,371	304,312
Central support services	-	70	-	418
Non-instructional programs	3,396	3,187	3,094	1,206
Other expenditures				
Facilities acquisition	426,644	101,192	367,175	179,202
Long-term debt				
Principal	820,000	785,000	1,158,811	2,463,515
Interest and other charges	129,191	163,713	239,400	319,147
AEA flowthrough	253,380	257,247	266,403	267,396
Total expenditures	<u>\$ 8,102,930</u>	<u>\$ 7,846,638</u>	<u>\$ 8,277,140</u>	<u>\$ 9,264,270</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC
210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

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

To the Board of Education
Mediapolis Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 25, 2005. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mediapolis Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the 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 I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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, of the reportable conditions described above, I believe item (A) Segregation of Duties, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mediapolis Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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

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



Kay L. Chapman, CPA PC
October 25, 2005

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2005

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

(A) Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution was exceeded during the year ended June 30, 2005.

Recommendation - The Board should approve an increase in the depository limit, sufficient to cover anticipated deposits and include such in the board minutes.

Response - We will increase our depository limits.

Conclusion - Response accepted.

2. Certified Budget - Expenditures for the year ended June 30, 2005 did not exceed the amended amounts budgeted.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2005

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 or employees were noted.
6. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
8. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however, I noted a few errors in the amounts reported.

Recommendation - The District should correct the items affecting beginning balances on the Certified Annual Report for the fiscal year ending June 30, 2006.

Response - We will correct the necessary balances on our FY06 CAR.

Conclusion - Response accepted.

11. Financial Condition - The District had unreserved, undesignated retained earnings deficit in the Internal Service Fund of \$2,691 at June 30, 2005.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate this deficit.

Response - We will review these situations and implement changes, as needed.

Conclusion - Response accepted.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2005

This audit was performed by

Kay Chapman, CPA
Christina Chamberlin, staff accountant
Tammy Calvert, staff accountant

Mediapolis Community School

Fred Whipple, Superintendent of Schools

725 Northfield Street ~ Mediapolis, IA 52637

Phone (319) 394-3237 ~ Fax (319) 394-3021

NEWS RELEASE

FOR RELEASE:

Kay L. Chapman, CPA PC of Muscatine, Iowa today released an audit report on the Mediapolis Community School District in Mediapolis, Iowa.

The District's revenues totaled \$9,008,772 for the year ended June 30, 2005, a 3 percent increase from the prior year. Revenues included \$3,975,521 in local tax, charges for service of \$909,514, operating grants, contributions and restricted interest of \$867,578, unrestricted state grants of \$3,122,192, unrestricted interest of \$104,620 and other general revenues of \$29,347.

Expenses for District operations totaled \$7,716,380, a 2 percent increase from the prior year. Expenses included \$4,491,204 for instruction, \$1,908,728 for support services, \$344,687 for non-instructional programs and \$971,761 for other expenses.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.