

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

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MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 Officials  
 June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September, 2004 Election)		
James Hussey	Board President	2005
Patti Stutzman	Board Member	2004
Julie Miller	Board Member	2004
Elizabeth E. Curl	Board Member	2005
Bonnie Nisly	Board Member	2005
Dave Skaden	Board Member	2006
Fred Lampe	Board Member	2006
(After September, 2004 Election)		
Bonnie Nisly	Board President	2005
Elizabeth E. Curl	Board Member	2005
James Hussey	Board Member	2005
Dave Skaden	Board Member	2006
Fred Lampe	Board Member	2006
Patti Stutzman	Board Member	2007
Julie Miller	Board Member	2007
<b>School Officials</b>		
Mark Schneider	Superintendent	2005
Douglas Slaubaugh	District Secretary	2005
Joseph Holland	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  
Mid-Prairie 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 Mid-Prairie Community School District, Wellman, 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 Mid-Prairie 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 August 5, 2005 on my consideration of Mid-Prairie Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 14 and 38 through 40 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 Mid-Prairie Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Kay L. Chapman, CPA PC  
August 5, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Mid-Prairie Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$8,594,792 in fiscal 2004 to \$9,010,320 in fiscal 2005, while General Fund expenditures increased from \$8,615,727 in fiscal 2004 to \$9,058,296 in fiscal 2005. The District's General Fund balance decreased from \$1,047,826 in fiscal 2004 to \$1,003,545 in fiscal 2005, a 4% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- Interest earnings in the General Fund increased from \$21,637 in fiscal 2004 to \$29,496 in fiscal 2005.

### **USING THIS ANNUAL REPORT**

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mid-Prairie Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the non-major Governmental Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

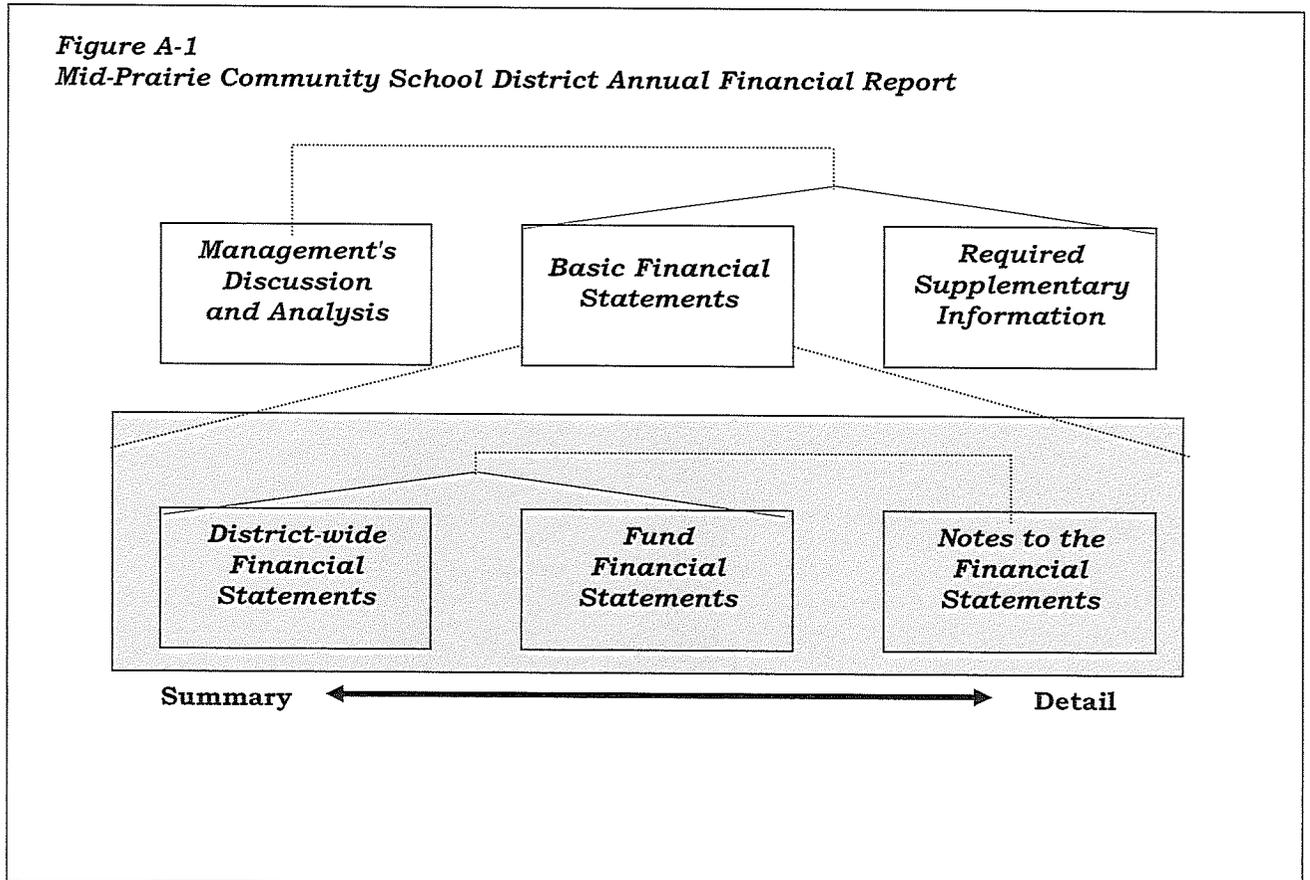


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

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

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

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

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Latchkey Daycare Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
Current and other assets	\$ 6,155,015	\$ 6,120,975	\$ 45,717	\$ 51,077	\$ 6,200,732	\$ 6,172,052	0.46%
Capital assets	<u>6,063,059</u>	<u>6,216,976</u>	<u>31,068</u>	<u>17,050</u>	<u>6,094,127</u>	<u>6,234,026</u>	-2.24%
Total assets	<u>12,218,074</u>	<u>12,337,951</u>	<u>76,785</u>	<u>68,127</u>	<u>12,294,859</u>	<u>12,406,078</u>	-0.90%
Long-term obligations	3,928,140	4,145,853	-	-	3,928,140	4,145,853	0.00%
Other liabilities	<u>4,569,811</u>	<u>4,514,397</u>	<u>-</u>	<u>3,467</u>	<u>4,569,811</u>	<u>4,517,864</u>	1.15%
Total liabilities	<u>8,497,951</u>	<u>8,660,250</u>	<u>-</u>	<u>3,467</u>	<u>8,497,951</u>	<u>8,663,717</u>	-1.91%
Net assets							
Invested in capital assets, net of related debt	2,268,059	2,141,976	31,068	17,050	2,299,127	2,159,026	6.49%
Restricted	448,519	518,997	-	-	448,519	518,997	-13.58%
Unrestricted	<u>1,003,545</u>	<u>1,016,728</u>	<u>45,717</u>	<u>47,610</u>	<u>1,049,262</u>	<u>1,064,338</u>	-1.42%
Total net assets	<u>\$ 3,720,123</u>	<u>\$ 3,677,701</u>	<u>\$ 76,785</u>	<u>\$ 64,660</u>	<u>\$ 3,796,908</u>	<u>\$ 3,742,361</u>	1.46%

The District's combined net assets increased by approximately 1.5%, or \$54,547, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$70,478, or approximately 14% from the prior year. The decrease was primarily a result of increased expenditures in the Physical Plant and Equipment Levy Fund. 2004 PPEL funds were carried over to complete the Track/Football Lighting Project and the Middle School Drainage Ditch Project. \$41,000 received from the sale of the bus lot in 2004 has been designated to relocating the bus lot and are part of the PPEL Funds carried forward. 2005 PPEL Funds were carried forward to complete the Middle School boiler replacement project.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$15,076, or approximately 1.5%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the 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	\$ 1,067,091	\$ 1,067,679	\$ 273,645	\$ 273,284	\$ 1,340,736	\$ 1,340,963
Operating grants, contributions and restricted interest	1,198,775	1,221,783	152,806	148,207	1,351,581	1,369,990
General revenues						
Property tax	4,026,386	3,931,610	-	-	4,026,386	3,931,610
Unrestricted state grants	4,133,151	3,790,492	-	-	4,133,151	3,790,492
Unrestricted investment earnings	37,567	11,021	433	158	38,000	11,179
Contributions and donations	93,768	-	-	-	93,768	-
Other	3,695	658	-	-	3,695	658
Operating transfers	(18,700)	-	18,700	-	-	-
Total revenues	<u>10,541,733</u>	<u>10,023,243</u>	<u>445,584</u>	<u>421,649</u>	<u>10,987,317</u>	<u>10,444,892</u>
Program expenses						
Governmental activities						
Instruction	6,768,102	6,440,919	-	-	6,768,102	6,440,919
Support services	2,540,018	2,431,977	-	-	2,540,018	2,431,977
Non-instructional programs	-	-	433,459	438,132	433,459	438,132
Other expenses	<u>1,191,191</u>	<u>1,099,275</u>	<u>-</u>	<u>-</u>	<u>1,191,191</u>	<u>1,099,275</u>
Total expenses	<u>10,499,311</u>	<u>9,972,171</u>	<u>433,459</u>	<u>438,132</u>	<u>10,932,770</u>	<u>10,410,303</u>
Change in net assets	<u>\$ 42,422</u>	<u>\$ 51,072</u>	<u>\$ 12,125</u>	<u>\$ (16,483)</u>	<u>\$ 54,547</u>	<u>\$ 34,589</u>

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$10,541,733 and expenses were \$10,499,311. The District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 6,768,102	\$ 4,920,223
Support services	2,540,018	2,493,131
Non-instructional programs	-	(20,970)
Other expenses	<u>1,191,191</u>	<u>841,061</u>
Total expenses	<u>\$ 10,499,311</u>	<u>\$ 8,233,445</u>

- The cost financed by users of the District’s programs was \$1,067,091.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,198,775.
- The net cost of governmental activities was financed with \$4,026,386 in property taxes and \$4,133,151 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$445,584 and expenses were \$433,459. The District’s business type activities include the School Nutrition Fund and Latchkey Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The School Nutrition Fund revenues increased from \$396,647 in 2004 to \$422,353 in 2005.

The School Nutrition Fund food costs increased from \$206,795 in fiscal 2005 to \$207,847. This small increase can be attributed to the lead cooks using less prepared items and cutting food waste.

During the year ended June 30, 2005, the District increased meal prices by five cent per meal. This increase resulted in increased revenue to the School Nutrition Fund which the District used to fund increases in salaries and benefits. The additional costs however reduced the cash balance from \$29,061 to \$26,800.

The Latchkey fund revenues decrease from \$25,002 in 2004 to \$23,231 in 2005. The Latchkey expenses also decreased from \$26,398 in 2004 to \$24,783. The cash balance in the Latchkey fund decreased from \$5,724 in 2004 to \$4,172 in 2005.

## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,597,545, slightly below last year's ending fund balances of \$1,619,558. However, the primary reason for the decrease in combined fund balances in fiscal 2005 is due to carry over of Physical Plant and Equipment Funds to complete two large projects early in the 2005 school year. The PPEL fund had a cash balance of \$325,298 in 2004 and a cash balance of \$260,526 in 2005.

### **Governmental Fund Highlights**

- The increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The undesignated General Fund balance decreased from \$1,047,826 in 2004 to \$1,003,545 in 2005, due in part to the negotiated salary and benefits settlement, reduction in state aid, and existing expenditure commitments of the District. The district still maintains a solvency ratio in the acceptable range.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$303,380 in fiscal 2004 to \$235,664 in fiscal 2005. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to reserve funds for projects that were to be completed early in the 2005 budget year.

- **Proprietary Fund Highlights**

Enterprise Fund net assets increased from \$64,660 at June 30, 2004 to \$76,785 at June 30, 2005, representing an increase of approximately 19%. The net asset increase was attributed to the purchase of two new steamers for the Middle School and High School at a cost of \$9,350.00 each. PPEL fund money was transferred to the Nutrition fund to purchase the steamers. For fiscal 2005, the District increased meal prices by 5 cents to offset increases in salaries and benefits.

## **BUDGETARY HIGHLIGHTS**

Mid-Prairie Community School District did not amend its annual budget during the year ended June 30, 2005.

The District's receipts were \$295,118 more than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving Local Option Sales Tax Revenues in the amount of \$116,880.

Total expenditures were \$162,666 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the Instruction function during the year ended June 30, 2005.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2005, the District had invested \$6,094,127, 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 approximately 2% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$419,425.

The original cost of the District's capital assets was \$13,485,971. Governmental funds account for \$13,393,773, with the remainder of \$92,198 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred with the purchase of a 2006 lift bus costing \$70,387, a regular bus costing \$59,451, and a used 2003 G20 van costing \$20,000 all purchased from the PPEL Fund.

The Wellman Rotary Club donated a soccer field located in Wellman to the school district in 2005 with a value of \$50,000. The district purchased a property adjacent to the soccer field from Wellman Lumber at a cost of \$17,700 to be used for parking.

Figure A-6

## Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
Land	\$ 127,851	\$ 60,151	\$ -	\$ -	\$ 127,851	\$ 60,151	112.55%
Buildings and improvements	5,440,283	5,717,528	-	-	5,440,283	5,717,528	-4.85%
Improvements, other than buildings	35,490	53,235	-	-	35,490	53,235	-33.33%
Furniture and equipment	<u>459,435</u>	<u>386,062</u>	<u>31,068</u>	<u>17,050</u>	<u>490,503</u>	<u>403,112</u>	21.68%
Totals	<u>\$6,063,059</u>	<u>\$6,216,976</u>	<u>\$31,068</u>	<u>\$17,050</u>	<u>\$6,094,127</u>	<u>\$6,234,026</u>	-2.24%

**Long-Term Debt**

At June 30, 2005, the District had \$3,928,140 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7

## Outstanding Long-term Obligations

	Total		Total
	School District		Change
	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
General obligation bonds	\$ 3,795,000	\$ 4,075,000	-6.87%
Early retirement	<u>133,140</u>	<u>70,853</u>	87.91%
Total	<u>\$ 3,928,140</u>	<u>\$ 4,145,853</u>	-5.25%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The Local Option Sales Tax was approved and revenues began in January, 2005. The Board will retain sum of the revenues for capital purchases from LOST and use the balance for property tax relief.
- The district property tax levy is one of the lowest in the area. With the increase value of farmland, the property tax valuation in the district should remain stable for the next few years.
- The 5.04 percent settlement of staff salaries and benefits will use all of the allowable growth for 2006. The district may have to use its reserves to fund additional expenditures for employee costs, fuel, and utility increases.
- The budget enrollment for the 2007 budget year increased from 1,240 students to 1,268.6 students.

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

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Doug Slaubaugh District Secretary/Treasurer and Business Manager, Mid-Prairie Community School District, 1635 Highway 22 East, Wellman, IA, 52356. Phone 319-646-6093 or email at [dslaubaugh@mid-prairie.k12.ia.us](mailto:dslaubaugh@mid-prairie.k12.ia.us).

## Basic Financial Statements

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2005

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,183,130	\$ 30,972	\$ 2,214,102
Receivables			
Property tax			
Delinquent	56,730	-	56,730
Succeeding year	3,719,752	-	3,719,752
Due from other governments	195,403	-	195,403
Inventories	-	14,745	14,745
Capital assets, net of accumulated depreciation	6,063,059	31,068	6,094,127
Total assets	12,218,074	76,785	12,294,859
<b>LIABILITIES</b>			
Accounts payable	80,055	-	80,055
Salaries and benefits payable	715,521	-	715,521
Accrued interest payable	12,341	-	12,341
Deferred revenue - succeeding year property tax	3,719,752	-	3,719,752
Deferred revenue - unspent grant proceeds	42,142	-	42,142
Long-term liabilities			
Portion due within one year			
Bonds payable	275,000	-	275,000
Early retirement	66,571	-	66,571
Portion due after one year			
Bonds payable	3,520,000	-	3,520,000
Early retirement	66,569	-	66,569
Total liabilities	8,497,951	-	8,497,951
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,268,059	31,068	2,299,127
Restricted for			
Capital projects	116,880	-	116,880
Management levy	22,355	-	22,355
Physical plant and equipment levy	235,664	-	235,664
Debt service	34,458	-	34,458
Other special revenue purposes	39,162	-	39,162
Unrestricted	1,003,545	45,717	1,049,262
Total net assets	\$ 3,720,123	\$ 76,785	\$ 3,796,908

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

MID-PRAIRIE 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 Business Type Activities	Total Activities
<b><u>Functions/Programs</u></b>						
Governmental activities						
Instruction						
Regular instruction	\$ 4,841,562	\$ 665,378	\$ 459,939	\$ -	\$ (3,716,245)	\$ (3,716,245)
Special instruction	1,081,657	112,898	343,929	-	(624,830)	(624,830)
Other instruction	844,883	257,405	8,330	-	(579,148)	(579,148)
	<u>6,768,102</u>	<u>1,035,681</u>	<u>812,198</u>	<u>-</u>	<u>(4,920,223)</u>	<u>(4,920,223)</u>
Support services						
Student services	217,976	-	-	-	(217,976)	(217,976)
Instructional staff services	223,188	-	-	-	(223,188)	(223,188)
Administration services	832,240	-	-	-	(832,240)	(832,240)
Operation and maintenance of plant services	810,839	5,449	-	-	(805,390)	(805,390)
Transportation services	455,775	4,991	36,447	-	(414,337)	(414,337)
	<u>2,540,018</u>	<u>10,440</u>	<u>36,447</u>	<u>-</u>	<u>(2,493,131)</u>	<u>(2,493,131)</u>
Non-instructional programs	-	20,970	-	-	20,970	20,970
Other expenditures						
Facilities acquisition	392,274	-	-	-	(392,274)	(392,274)
Long-term debt interest	153,797	-	-	-	(153,797)	(153,797)
AEA flowthrough	350,130	-	350,130	-	-	-
Depreciation (unallocated) *	294,990	-	-	-	(294,990)	(294,990)
	<u>1,191,191</u>	<u>-</u>	<u>350,130</u>	<u>-</u>	<u>(841,061)</u>	<u>(841,061)</u>
Total governmental activities	<u>10,499,311</u>	<u>1,067,091</u>	<u>1,198,775</u>	<u>-</u>	<u>(8,233,445)</u>	<u>(8,233,445)</u>

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

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2005

	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	Total
<b>Functions/Programs (cont.)</b>					
Business type activities					
Non-instructional programs					
Food service operations	\$ 408,676	\$ 250,414	\$ 152,806	\$ -	\$ (5,456)
Latchkey daycare services	24,783	23,231	-	-	(1,552)
Total business type activities	433,459	273,645	152,806	-	(7,008)
Total	\$ 10,932,770	\$ 1,340,736	\$ 1,351,581	\$ (8,233,445)	\$ (8,240,453)
<b>General Revenues</b>					
Property tax levied for					
General purposes			2,986,825	-	2,986,825
Capital outlay			609,308	-	609,308
Debt service			430,253	-	430,253
Unrestricted state grants			4,133,151	-	4,133,151
Contributions and donations			93,768	-	93,768
Unrestricted investment earnings			37,567	433	38,000
Operating transfers			(18,700)	18,700	-
Other			3,695	-	3,695
Total general revenues			8,275,867	19,133	8,295,000
Change in net assets			42,422	12,125	54,547
Net assets, beginning of year			3,677,701	64,660	3,742,361
Net assets, end of year			\$ 3,720,123	\$ 76,785	\$ 3,796,908

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

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

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2005

Exhibit C

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,602,197	\$ 257,250	\$ 323,683	\$ 2,183,130
Receivables				
Property tax				
Delinquent	44,581	3,276	8,873	56,730
Succeeding year	2,902,055	221,705	595,992	3,719,752
Due from other governments	164,278	-	31,125	195,403
Total assets and other debits	<u>\$ 4,713,111</u>	<u>\$ 482,231</u>	<u>\$ 959,673</u>	<u>\$ 6,155,015</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 49,848	\$ 24,862	\$ 5,345	\$ 80,055
Salaries and benefits payable	715,521	-	-	715,521
Deferred revenue				
Succeeding year property tax	2,902,055	221,705	595,992	3,719,752
Other	42,142	-	-	42,142
Total liabilities	<u>3,709,566</u>	<u>246,567</u>	<u>601,337</u>	<u>4,557,470</u>
 Fund balances				
Reserved for				
Debt service	-	-	46,799	46,799
Unreserved, undesignated				
Special revenue	-	-	194,657	194,657
Other governmental	1,003,545	235,664	116,880	1,356,089
Total fund balances	<u>1,003,545</u>	<u>235,664</u>	<u>358,336</u>	<u>1,597,545</u>
Total liabilities and fund balances	<u>\$ 4,713,111</u>	<u>\$ 482,231</u>	<u>\$ 959,673</u>	<u>\$ 6,155,015</u>

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

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

Exhibit D

Total fund balances of governmental funds	\$ 1,597,545
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,063,059
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,341)
Long-term liabilities, including early retirement, bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,928,140)</u>
Net assets of governmental activities	<u>\$ 3,720,123</u>

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

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Exhibit E

For the Year Ended June 30, 2005

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Local sources				
Local tax	\$ 2,839,832	\$ 472,838	\$ 711,862	\$ 4,024,532
Tuition	627,395	-	-	627,395
Other	209,717	48,155	263,159	521,031
State sources	4,848,654	111	293	4,849,058
Federal sources	484,722	-	-	484,722
<b>Total revenues</b>	<b>9,010,320</b>	<b>521,104</b>	<b>975,314</b>	<b>10,506,738</b>
<b>Expenditures</b>				
Current				
Instruction				
Regular instruction	4,742,180	16,951	28,871	4,788,002
Special instruction	1,081,657	-	-	1,081,657
Other instruction	564,948	-	279,935	844,883
	6,388,785	16,951	308,806	6,714,542
Support services				
Student services	217,976	-	-	217,976
Instructional staff services	223,188	-	-	223,188
Administration services	835,003	-	-	835,003
Operation and maintenance of plant services	696,663	1,886	105,198	803,747
Transportation services	346,551	149,788	17,411	513,750
	2,319,381	151,674	122,609	2,593,664
Other expenditures				
Facilities acquisition	-	401,495	19,479	420,974
Long-term debt				
Principal	-	-	280,000	280,000
Interest and fiscal charges	-	-	154,436	154,436
AEA flowthrough	350,130	-	-	350,130
	350,130	401,495	453,915	1,205,540
<b>Total expenditures</b>	<b>9,058,296</b>	<b>570,120</b>	<b>885,330</b>	<b>10,513,746</b>

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

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

Exhibit E

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (47,976)	\$ (49,016)	\$ 89,984	\$ (7,008)
Other financing sources (uses)				
Sale of equipment and materials	3,695	-	-	3,695
Interfund operating transfers (out)	-	(18,700)	-	(18,700)
Total other financing sources (uses)	<u>3,695</u>	<u>(18,700)</u>	<u>-</u>	<u>(15,005)</u>
Net change in fund balances	(44,281)	(67,716)	89,984	(22,013)
Fund balance, beginning of year	<u>1,047,826</u>	<u>303,380</u>	<u>268,352</u>	<u>1,619,558</u>
Fund balance, end of year	<u>\$ 1,003,545</u>	<u>\$ 235,664</u>	<u>\$ 358,336</u>	<u>\$ 1,597,545</u>

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

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

Exhibit F

Net change in fund balances - total governmental funds \$(22,013)

Amounts reported for governmental activities in the statement of activities  
 are different because:

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

Capital outlays	\$ 260,826	
Depreciation expense	<u>(414,743)</u>	(153,917)

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.	280,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(62,287)
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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.	<u>639</u>
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Change in net assets of governmental activities	<u><u>\$ 42,422</u></u>
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See notes to financial statements and Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Funds  
June 30, 2005

Exhibit G

	Nonmajor Enterprise Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 30,972
Inventories	14,745
Capital assets, net of accumulated depreciation	<u>31,068</u>
Total assets	<u>76,785</u>
<b>LIABILITIES</b>	
	<u>-</u>
<b>NET ASSETS</b>	
Invested in capital assets	31,068
Unrestricted	<u>45,717</u>
Total net assets	<u><u>\$ 76,785</u></u>

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

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

Exhibit H

	<u>Nonmajor Enterprise Funds</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 273,645</u>
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries	146,942
Benefits	34,223
Purchased services	5,613
Supplies	216,801
Miscellaneous	415
Depreciation	<u>4,682</u>
Total food service operations	<u>408,676</u>
Latchkey and daycare operations	
Salaries	20,607
Benefits	2,269
Supplies	<u>1,907</u>
Total latchkey and daycare operations	<u>24,783</u>
Total operating expenses	<u>433,459</u>
Operating loss	<u>(159,814)</u>
Non-operating revenues	
Interest income	433
Interfund operating transfers in	18,700
State sources	5,848
Federal sources	<u>146,958</u>
Total non-operating revenues	<u>171,939</u>
Change in net assets	12,125
Net assets, beginning of year	<u>64,660</u>
Net assets, end of year	<u><u>\$ 76,785</u></u>

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

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

Exhibit I

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities	
Cash received from sale of meals	\$ 250,414
Cash received from sale of other services	23,231
Cash payments to employees for services	(207,493)
Cash payments to suppliers for goods and services	(202,902)
Net cash used in operating activities	<u>(136,750)</u>
Cash flows from non-capital financing activities	
State grants received	5,848
Federal grants received	123,188
Net cash provided by non-capital financing activities	<u>129,036</u>
Cash flows from investing activities	
Interest on investments	433
Net decrease in cash and cash equivalents	(7,281)
Cash and cash equivalents, beginning of year	38,253
Cash and cash equivalents, end of year	<u>\$ 30,972</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (159,814)
Adjustments to reconcile operating loss to net cash used in operating activities	
Commodities used	23,770
Depreciation	4,682
(Increase) in inventories	(1,921)
(Decrease) in accounts payable	(15)
(Decrease) in salaries and benefits payable	(3,452)
Net cash used in operating activities	<u>\$ (136,750)</u>

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

During the year ended June 30, 2005, the District received \$23,770 of federal commodities.

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

## MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2005

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

The Mid-Prairie Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Wellman and Kalona, Iowa, and the agricultural territory in Washington, Iowa and Johnson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

##### A. Reporting Entity

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

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 activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports no major proprietary funds. However, the District reports two nonmajor proprietary funds, the Enterprise, School Nutrition Fund and the Enterprise, Latchkey Daycare Fund. These funds are used to account for the food service operations and the daycare/latchkey operations of the District.

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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	\$2,500
Buildings	\$2,500
Improvements other than buildings	\$2,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$2,500

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	40 years
Improvements to buildings	10 years
Furniture and equipment	5-12 years

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

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

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

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

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

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

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the Instruction functional area; however, the District's General Fund disbursements did not exceed the 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.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 939,814</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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.

Credit risk. The investment in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**Note 3. 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>
Enterprise, School Nutrition	Physical Plant and Equipment Levy	\$ 18,700

The transfer was for School Nutrition Fund equipment purchased during the year ended June 30, 2005, which was paid from the PPEL fund.

**Note 4. Capital Assets**

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

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 60,151	\$ 67,700	\$ -	\$ 127,851
Total capital assets, not being depreciated	<u>60,151</u>	<u>67,700</u>	<u>-</u>	<u>127,851</u>
Capital assets being depreciated:				
Buildings and improvements	11,247,928	-	-	11,247,928
Improvements other than buildings	303,011	-	-	303,011
Furniture and equipment	<u>1,652,809</u>	<u>193,126</u>	<u>(130,952)</u>	<u>1,714,983</u>
Total capital assets being depreciated	<u>13,203,748</u>	<u>193,126</u>	<u>(130,952)</u>	<u>13,265,922</u>
Less accumulated depreciation for:				
Buildings and improvements	5,530,400	277,245	-	5,807,645
Improvements other than buildings	249,776	17,745	-	267,521
Furniture and equipment	<u>1,266,747</u>	<u>119,753</u>	<u>(130,952)</u>	<u>1,255,548</u>
Total accumulated depreciation	<u>7,046,923</u>	<u>414,743</u>	<u>(130,952)</u>	<u>7,330,714</u>
Total capital assets being depreciated, net	<u>6,156,825</u>	<u>(221,617)</u>	<u>-</u>	<u>5,935,208</u>
Governmental activities capital assets, net	<u>\$ 6,216,976</u>	<u>\$ (153,917)</u>	<u>\$ -</u>	<u>\$ 6,063,059</u>

Business type activities

Furniture and equipment	\$ 79,173	\$ 18,700	\$ (5,675)	\$ 92,198
Less accumulated depreciation	<u>62,123</u>	<u>4,682</u>	<u>(5,675)</u>	<u>61,130</u>
Business type activities capital assets, net	<u>\$ 17,050</u>	<u>\$ 14,018</u>	<u>\$ -</u>	<u>\$ 31,068</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 18,098
Support services	
Operation and maintenance of plant	7,092
Transportation	94,563
Unallocated depreciation	<u>294,990</u>

Total governmental activities depreciation expense \$ 414,743

**Business type activities**

Food services	<u>\$ 4,682</u>
---------------	-----------------

**Note 5. 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
General obligation bonds	\$ 4,075,000	\$ -	\$(280,000)	\$ 3,795,000	\$ 275,000
Early retirement	<u>70,853</u>	<u>89,107</u>	<u>(26,820)</u>	<u>133,140</u>	<u>66,571</u>
Totals	<u>\$ 4,145,853</u>	<u>\$ 89,107</u>	<u>\$(306,820)</u>	<u>\$ 3,928,140</u>	<u>\$ 341,571</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five years of age and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2005, totaled \$26,820.

## Bonds Payable

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

Year Ending June 30,	Bond Issue of August 1, 2002			
	Interest Rates	Principal	Interest	Total
2006	3.0-3.25%	\$ 275,000	\$ 145,992	\$ 420,992
2007	3.25-3.375%	295,000	137,229	432,229
2008	3.375-3.5%	305,000	127,191	432,191
2009	3.5-3.65%	315,000	116,523	431,523
2010	3.65-3.85%	330,000	104,868	434,868
2011	3.85-4.0%	335,000	92,429	427,429
2012	4.0-4.05%	350,000	78,952	428,952
2013	4.05-4.2%	365,000	64,721	429,721
2014	4.2-4.3%	395,000	49,316	444,316
2015	4.3-4.4%	420,000	31,995	451,995
2016	4.4-4.5%	<u>410,000</u>	<u>13,620</u>	<u>423,620</u>
Total		<u>\$ 3,795,000</u>	<u>\$ 962,836</u>	<u>\$ 4,757,836</u>

### **Note 6. 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 \$339,001, \$320,915 and \$310,082, respectively, equal to the required contributions for each year.

**Note 7. 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 8. 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 \$350,130 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.

Required Supplementary Information

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis)  
 All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 For the Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Receipts</b>						
Local sources	\$ 5,109,759	\$ 255,378	\$ 5,365,137	\$ 5,125,219	\$ 5,125,219	\$ 239,918
State sources	4,869,895	5,848	4,875,743	4,891,017	4,891,017	(15,274)
Federal sources	445,986	123,188	569,174	498,700	498,700	70,474
Total receipts	<u>10,425,640</u>	<u>384,414</u>	<u>10,810,054</u>	<u>10,514,936</u>	<u>10,514,936</u>	<u>295,118</u>
<b>Disbursements</b>						
Instruction	6,727,306	-	6,727,306	6,590,000	6,590,000	(137,306)
Support services	2,594,759	-	2,594,759	2,765,000	2,765,000	170,241
Non-instructional programs	-	410,395	410,395	462,000	462,000	51,605
Other expenditures	1,201,068	-	1,201,068	1,279,194	1,279,194	78,126
Total disbursements	<u>10,523,133</u>	<u>410,395</u>	<u>10,933,528</u>	<u>11,096,194</u>	<u>11,096,194</u>	<u>162,666</u>
Deficiency of receipts under disbursements	(97,493)	(25,981)	(123,474)	(581,258)	(581,258)	457,784
Other financing sources, net	<u>(15,005)</u>	<u>18,700</u>	<u>3,695</u>	<u>2,000</u>	<u>2,000</u>	<u>1,695</u>
Deficiency of receipts and other financing sources under disbursements and other financing (uses)	(112,498)	(7,281)	(119,779)	(579,258)	(579,258)	459,479
Balance, beginning of year	2,295,628	38,253	2,333,881	2,259,655	2,259,655	74,226
Balance, end of year	<u>\$ 2,183,130</u>	<u>\$ 30,972</u>	<u>\$ 2,214,102</u>	<u>\$ 1,680,397</u>	<u>\$ 1,680,397</u>	<u>\$ 533,705</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 For the Year Ended June 30, 2005

	Governmental Fund Types		
	Cash	Accrual	Modified
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
Revenues	\$ 10,425,640	\$ 81,098	\$ 10,506,738
Expenditures	<u>10,523,133</u>	<u>(9,387)</u>	<u>10,513,746</u>
Net	(97,493)	90,485	(7,008)
Other financing sources	(15,005)	-	(15,005)
Beginning fund balances	<u>2,295,628</u>	<u>(676,070)</u>	<u>1,619,558</u>
Ending fund balances	<u>\$ 2,183,130</u>	<u>\$ (585,585)</u>	<u>\$ 1,597,545</u>

	Proprietary Fund Type		
	Enterprise		
	Cash	Accrual	Accrual
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
Revenues	\$ 384,414	\$ 42,470	\$ 426,884
Expenditures	<u>410,395</u>	<u>23,064</u>	<u>433,459</u>
Net	(25,981)	19,406	(6,575)
Other financing uses	18,700	-	18,700
Beginning fund balances	<u>38,253</u>	<u>26,407</u>	<u>64,660</u>
Ending fund balances	<u>\$ 30,972</u>	<u>\$ 45,813</u>	<u>\$ 76,785</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of 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 did not adopt any budget amendments.

During the year ended June 30, 2005, District disbursements exceeded the amount budgeted in the Instruction functional area; however, the General Fund unspent authorized budget was not exceeded.

## Other Supplementary Information

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2005

Schedule 1

	Special Revenue			Debt Service	Total
	Management Levy	Student Activities	Capital Projects		
<b>ASSETS</b>					
Cash and pooled investments	\$ 153,211	\$ 44,507	\$ 85,755	\$ 40,210	\$ 323,683
Receivables					
Property tax					
Current year delinquent	2,284	-	-	6,589	8,873
Succeeding year	175,000	-	-	420,992	595,992
Due from other governments	-	-	31,125	-	31,125
Total assets	\$ 330,495	\$ 44,507	\$ 116,880	\$ 467,791	\$ 959,673
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities					
Accounts payable	\$ -	\$ 5,345	\$ -	\$ -	\$ 5,345
Deferred revenue					
Succeeding year property tax	175,000	-	-	420,992	595,992
Total liabilities	175,000	5,345	-	420,992	601,337
Fund Equity					
Reserved for debt service	-	-	-	46,799	46,799
Unreserved fund balances	155,495	39,162	116,880	-	311,537
Total fund equity	155,495	39,162	116,880	46,799	358,336
Total liabilities and fund equity	\$ 330,495	\$ 44,507	\$ 116,880	\$ 467,791	\$ 959,673

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

Schedule 2

	<u>Special Revenue</u>				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
Revenues					
Local sources					
Local taxes	\$ 145,469	\$ -	\$ 136,359	\$ 430,034	\$ 711,862
Other	3,807	258,081	-	1,271	263,159
State sources	74	-	-	219	293
Total revenues	<u>149,350</u>	<u>258,081</u>	<u>136,359</u>	<u>431,524</u>	<u>975,314</u>
Expenditures					
Current					
Instruction					
Regular program instruction	28,871	-	-	-	28,871
Other instruction	-	279,935	-	-	279,935
Support services					
Operation and maintenance of plant services	105,198	-	-	-	105,198
Transportation services	17,411	-	-	-	17,411
Other expenditures					
Facilities acquisition	-	-	19,479	-	19,479
Long-term debt:					
Principal	-	-	-	280,000	280,000
Interest and fiscal charges	-	-	-	154,436	154,436
Total expenditures	<u>151,480</u>	<u>279,935</u>	<u>19,479</u>	<u>434,436</u>	<u>885,330</u>
Excess (deficiency) of revenues over (under) expenditures	(2,130)	(21,854)	116,880	(2,912)	89,984
Fund balances, beginning of year	<u>157,625</u>	<u>61,016</u>	<u>-</u>	<u>49,711</u>	<u>268,352</u>
Fund balances, end of year	<u>\$ 155,495</u>	<u>\$ 39,162</u>	<u>\$ 116,880</u>	<u>\$ 46,799</u>	<u>\$ 358,336</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 Combining Statement of Fund Net Assets  
 Nonmajor Proprietary Funds  
 June 30, 2005

Schedule 3

	Enterprise		
	School	Latchkey	Total
	Nutrition	Daycare	
<b>ASSETS</b>			
Cash and pooled investments	\$ 26,800	\$ 4,172	\$ 30,972
Inventories	14,745	-	14,745
Equipment, net of accumulated depreciation	31,068	-	31,068
Total assets	72,613	4,172	76,785
<b>LIABILITIES</b>			
	-	-	-
<b>NET ASSETS</b>			
Invested in capital assets, net	31,068	-	31,068
Unreserved	41,545	4,172	45,717
Total net assets	\$ 72,613	\$ 4,172	\$ 76,785

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Nonmajor Proprietary Funds  
For the Year Ended June 30, 2005

Schedule 4

	Enterprise		<u>Total</u>
	<u>School Nutrition</u>	<u>Latchkey Daycare</u>	
Operating revenue			
Local sources			
Charges for service	<u>\$ 250,414</u>	<u>\$ 23,231</u>	<u>\$ 273,645</u>
Operating expenses			
Non-instructional programs			
Salaries	146,942	20,607	167,549
Benefits	34,223	2,269	36,492
Purchased services	5,613	-	5,613
Supplies	216,801	1,907	218,708
Miscellaneous	415	-	415
Depreciation	<u>4,682</u>	<u>-</u>	<u>4,682</u>
Total operating expenses	<u>408,676</u>	<u>24,783</u>	<u>433,459</u>
Operating loss	<u>(158,262)</u>	<u>(1,552)</u>	<u>(159,814)</u>
Non-operating revenue			
Interest income	433	-	433
Interfund operating transfers	18,700	-	18,700
State sources	5,848	-	5,848
Federal sources	<u>146,958</u>	<u>-</u>	<u>146,958</u>
Total non-operating revenue	<u>171,939</u>	<u>-</u>	<u>171,939</u>
Change in net assets	13,677	(1,552)	12,125
Net assets, beginning of year	<u>58,936</u>	<u>5,724</u>	<u>64,660</u>
Net assets, end of year	<u>\$ 72,613</u>	<u>\$ 4,172</u>	<u>\$ 76,785</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Year Ended June 30, 2005

Schedule 5

	Enterprise		<u>Total</u>
	<u>School Nutrition</u>	<u>Latchkey Daycare</u>	
Cash flows from operating activities			
Cash received from sale of meals	\$ 250,414	\$ -	\$ 250,414
Cash received from sale of services	-	23,231	23,231
Cash payments to employees for services	(184,617)	(22,876)	(207,493)
Cash payments to suppliers for goods and services	<u>(200,995)</u>	<u>(1,907)</u>	<u>(202,902)</u>
Net cash used in operating activities	<u>(135,198)</u>	<u>(1,552)</u>	<u>(136,750)</u>
Cash flows from non-capital financing activities			
State grants received	5,848	-	5,848
Federal grants received	<u>123,188</u>	<u>-</u>	<u>123,188</u>
Net cash provided by non-capital financing activities	<u>129,036</u>	<u>-</u>	<u>129,036</u>
Cash flows from investing activities			
Interest on investments	<u>433</u>	<u>-</u>	<u>433</u>
Net decrease in cash and cash equivalents	(5,729)	(1,552)	(7,281)
Cash and cash equivalents, beginning of year	<u>32,529</u>	<u>5,724</u>	<u>38,253</u>
Cash and cash equivalents, end of year	<u>\$ 26,800</u>	<u>\$ 4,172</u>	<u>\$ 30,972</u>

**Reconciliation of operating loss to net cash used in operating activities**

Operating loss	\$ (158,262)	\$ (1,552)	\$ (159,814)
Adjustments to reconcile operating loss to net cash used in operating activities			
Commodities used	23,770	-	23,770
Depreciation	4,682	-	4,682
(Increase) in inventories	(1,921)	-	(1,921)
(Decrease) in accounts payable	(15)	-	(15)
(Decrease) in salaries and benefits payable	<u>(3,452)</u>	<u>-</u>	<u>(3,452)</u>
Net cash used in operating activities	<u>\$ (135,198)</u>	<u>\$ (1,552)</u>	<u>\$ (136,750)</u>

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

During the year ended June 30, 2005, the District received \$23,770 of federal commodities.

See accompanying Independent Auditor's Report.

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

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Drama Workshop	\$ 3,168	\$ 10,078	\$ 8,015	\$ 5,231
All Athletics	(43)	122,708	122,276	389
Annual	3,018	12,027	12,441	2,604
Class of 2003	2,073	-	381	1,692
Class of 2004	1,606	-	1,297	309
Class of 2005	4,718	1,738	4,085	2,371
Class of 2006	-	16,415	12,064	4,351
Renaissance	4,937	4,274	4,333	4,878
Post Prom	5,859	5,364	8,225	2,998
FFA	3,431	25,244	26,401	2,274
Librarians Club	605	-	-	605
Interest	2,738	676	818	2,596
Newspaper	93	-	-	93
Pep Club	205	1,561	1,766	-
EIHC	119	3,900	2,788	1,231
Athletic Resale	23,422	44,076	65,213	2,285
SADD Club	1,801	336	-	2,137
High School Student Council	3,266	9,684	9,832	3,118
Totals	<u>\$ 61,016</u>	<u>\$ 258,081</u>	<u>\$ 279,935</u>	<u>\$ 39,162</u>

See accompanying Independent Auditor's Report.

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

Schedule 7

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues				
Local sources				
Local tax	\$ 4,024,532	\$ 3,929,740	\$ 3,870,602	\$ 3,697,786
Tuition	627,395	546,827	495,306	399,145
Other	521,031	531,873	511,499	641,795
State sources	4,849,058	4,489,314	4,530,754	4,351,222
Federal sources	484,722	524,831	413,697	365,576
<b>Total revenues</b>	<b><u>\$ 10,506,738</u></b>	<b><u>\$ 10,022,585</u></b>	<b><u>\$ 9,821,858</u></b>	<b><u>\$ 9,455,524</u></b>
Expenditures				
Instruction				
Regular instruction	4,788,002	4,732,575	4,332,381	4,236,816
Special instruction	1,081,657	886,662	843,145	821,473
Other instruction	844,883	785,990	812,637	777,206
Support services				
Student services	217,976	201,391	213,244	241,722
Instructional staff services	223,188	225,598	201,036	186,203
Administration services	835,003	794,848	756,349	756,868
Operation and maintenance of plant services	803,747	763,437	759,203	754,009
Transportation services	513,750	465,224	453,496	438,985
Other expenditures				
Facilities acquisition	420,974	330,601	567,301	152,929
Long-term debt				
Principal	280,000	285,000	313,898	213,763
Interest and other charges	154,436	161,166	141,301	246,216
AEA flowthrough	350,130	343,098	360,577	353,948
<b>Total expenditures</b>	<b><u>\$ 10,513,746</u></b>	<b><u>\$ 9,975,590</u></b>	<b><u>\$ 9,754,568</u></b>	<b><u>\$ 9,180,138</u></b>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005

Schedule 8

Grantor/Program Indirect	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Iowa Department of Education			
Food distribution (non-cash)	10.550	FY05	\$ 23,770
School Nutrition Cluster Programs			
National School Breakfast Program	10.553	FY05	14,990
National School Lunch Program	10.555	FY05	<u>108,198</u>
Total Department of Agriculture			<u>146,958</u>
 <b>U.S. Department of Education</b>			
Iowa Department of Education			
Title I Grants to Local Educational Agencies			
Innovative Education Program Strategies	84.010	FY05	265,536
Title V Program			
Safe and Drug-free Schools and Communities	84.298	FY05	6,619
Safe and Drug-free Schools and Communities	84.184	FY05	5,923
Title IIA - Federal Teacher Quality Program	84.367	FY05	121,298
Grants for State Assessments & Related Activities	84.369	FY05	10,200
Special Education-Grants to States-Part B	84.027	FY05	<u>63,456</u>
Total Iowa Department of Education			<u>473,032</u>
Grant Wood Area Education Agency			
Carl D. Perkins Vocational & Applied Technology	84.048	FY05	3,143
Special Education-Grants to States-Success 4	84.027	FY05	<u>4,825</u>
Total Area Education Agency			<u>7,968</u>
Total Department of Education			<u>481,000</u>
Total federal awards			<u><u>\$627,958</u></u>

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

See accompanying Independent Auditor's Report.

**KAY L. CHAPMAN, CPA PC**  
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  
Mid-Prairie 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 Mid-Prairie 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 August 5, 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 Mid-Prairie 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 II of the accompanying Schedule of Findings and Questioned Costs.

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 II-A Segregation of Duties, is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-Prairie Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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 Mid-Prairie Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



Kay L. Chapman, CPA PC  
August 5, 2005

**KAY L. CHAPMAN, CPA PC**

210 Cedar St.  
Muscatine, Iowa 52761  
563-264-1385

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133

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

Compliance

I have audited the compliance of Mid-Prairie Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Mid-Prairie Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mid-Prairie Community School District's management. My responsibility is to express an opinion on Mid-Prairie Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mid-Prairie Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Mid-Prairie Community School District's compliance with those requirements.

In my opinion Mid-Prairie Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

## Internal Control Over Compliance

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

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect Mid-Prairie Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe item III-A is a material weakness.

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



Kay L. Chapman, CPA PC  
August 5, 2005

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

**Part I. Summary of the Independent Auditor's Results**

1. An unqualified opinion was issued on the financial statements.
2. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
3. The audit did not disclose any noncompliance which is material to the financial statements.
4. No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance with requirements applicable to each major program.
6. The audit disclosed no audit findings, which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. Major programs were as follows:
  - CFDA Number 84.010 Title I Grants to Local Educational Agencies
  - Clustered programs
    - CFDA Number 10.553 School Breakfast Program
    - CFDA Number 10.555 National School Lunch Program
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Mid-Prairie Community School District did not qualify as a low-risk auditee.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

**Part II. Findings Related to the General Purpose Financial Statements**

INSTANCES OF NON-COMPLIANCE

No matters were noted

REPORTABLE CONDITIONS

05-II-A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

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

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

Conclusion - Response accepted.

05-II-B Signature Cards - It was noted that the signature cards at US Bank contained the signature of the previous Board President rather than that of the current Board President. The District did not update the signature card when a new Board President was elected.

Recommendation - The District should get these signature cards updated as soon as possible and ensure that they are updated timely upon change in the individuals authorized to sign checks.

Response - We will get these changes done immediately and ensure that the signatures are kept up-to-date upon change in authorized signatures.

Conclusion - Response accepted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

**Part III. Findings and Questioned Costs for Federal Awards**

**REPORTABLE CONDITIONS**

CFDA #84.010: Title I Grants to Local Education Agencies

CFDA #10.553: School Breakfast Program

CFDA #10.555: National School Lunch Program

05-III-A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

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

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

Conclusion - Response accepted.

05-III-B Signature Cards - It was noted that the signature cards at US Bank contained the signature of the previous Board President rather than that of the current Board President. The District did not update the signature card when a new Board President was elected.

Recommendation - The District should get these signature cards updated as soon as possible and ensure that they are updated timely upon change in the individuals authorized to sign checks.

Response - We will get these changes done immediately and ensure that the signatures are kept up-to-date upon change in authorized signatures.

Conclusion - Response accepted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

**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 were not exceeded during the year ended June 30, 2005.
2. Certified Budget - Disbursements for the year ended June 30, 2005 exceeded the amount budgeted in the Instruction functional area.

Recommendation - The District should have amended the budget in sufficient amounts before disbursements were allowed to exceed the budget.

Response - We will be more attentive of this in the future and amend the budget in sufficient amounts, as necessary.

Conclusion - Response accepted.

3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
5. Business Transactions - No business transactions between the District and District officials 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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2005

This audit was performed by

Kay Chapman, CPA  
Christina Chamberlin, staff accountant