

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

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MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2005 Election)		
Richard Pfeiff	Board President	2005
Michael Brown	Board Member	2005
Sherri Spence	Board Member	2006
Kathryn Whisler	Board Member	2006
Frank Hedges	Board Member	2007
Melodee Kennedy	Board Member	2007
Julie Edmonds	Board Member	2007
(After September 2005 Election)		
Michael Brown	Board President	2008
Sherri Spence	Board Member	2006
Kathryn Whisler	Board Member	2006
Frank Hedges	Board Member	2007
Melodee Kennedy	Board Member	2007
Julie Edmonds	Board Member	2007
David Baker	Board Member	2008
School Officials		
Fred Whipple	Superintendent	2006
Pat Heitmeier	District Secretary/Treasurer	2006
Brian Gruhn	Attorney	2006

KAY L. CHAPMAN, CPA PC

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

Independent Auditor's Report

To the Board of Education
Mediapolis Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District, Mediapolis, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Mediapolis Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated October 19, 2006 on my consideration of Mediapolis Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 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 Mediapolis Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, 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

Kay L. Chapman, CPA PC
October 19, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mediapolis Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,849,290 in fiscal 2005 to \$6,855,145 in fiscal 2006, and General Fund expenditures increased from \$6,349,513 in fiscal 2005 to \$6,701,236 in fiscal 2006. The District's General Fund balance increased from \$799,631 in fiscal 2005 to \$958,223 in fiscal 2006, a 19% increase.
- In August 2005, a Pre-Kindergarten Program was implemented. The program serves five year olds not enrolled in Kindergarten and four year olds as space allows.
- The final phase of the building renovation began in late June of 2005. This project focused on the HS concourse area and the HS Science Rooms. First Construction was awarded the general contractor contract at \$312,342 and Horsley Specialties was awarded the asbestos abatement contract at \$73,175. The completion date for the project was targeted for early September 2005.
- A Greenhouse was added to the West side of the HS building. Funding for the project was provided by the FFA, Mediapolis Young Farmers, MEF and the Ag Advisory Group. The project cost a total of \$130,812.
- In April 2006, the School District was awarded a \$25,000 Fire and Safety Grant to be used to repair the walls in the MS Gym.
- In 2004-05, negotiations with MCEA concluded with a 2-year settlement. Salaries for 2005-06 increased 4.02% for a total package cost of \$178,737.
- The District continued to update the school bus fleet with the purchase of two buses in May 2006. The two new school buses cost \$121,484 and were purchased using PPEL and General Fund dollars.
- Enrollment was down in September 2005 to 892.8 from 907.6 in the previous year. This is a 1.63% decrease.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

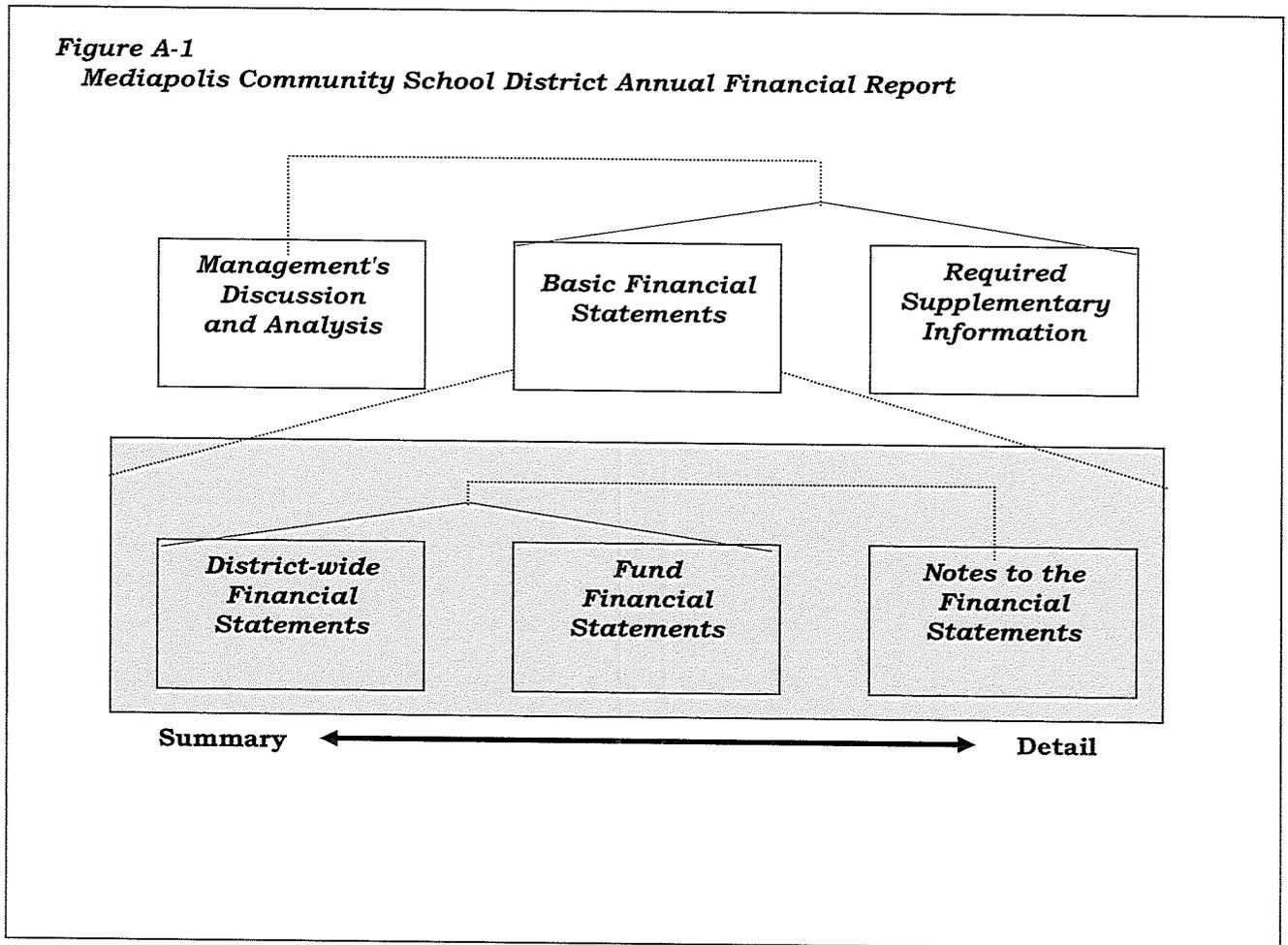


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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 preschool program
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
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
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
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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District discontinued the Internal Service Fund, the Flex Spending Fund during the year ended June 30, 2006.

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, 2006 compared to June 30, 2005.

Figure A-3

	Condensed Statement of Net Assets						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Current and other assets	\$ 6,464,124	\$ 7,547,448	\$ 55,049	\$ 43,286	\$ 6,519,173	\$ 7,590,734	-14.12%
Capital assets	<u>10,001,086</u>	<u>9,573,840</u>	<u>59,171</u>	<u>69,818</u>	<u>10,060,257</u>	<u>9,643,658</u>	4.32%
Total assets	<u>16,465,210</u>	<u>17,121,288</u>	<u>114,220</u>	<u>113,104</u>	<u>16,579,430</u>	<u>17,234,392</u>	-3.80%
Long-term obligations	1,420,338	2,292,381	-	-	1,420,338	2,292,381	-38.04%
Other liabilities	<u>4,222,868</u>	<u>5,536,093</u>	<u>54,026</u>	<u>295</u>	<u>4,276,894</u>	<u>5,536,388</u>	-22.75%
Total liabilities	<u>5,643,206</u>	<u>7,828,474</u>	<u>54,026</u>	<u>295</u>	<u>5,697,232</u>	<u>7,828,769</u>	-27.23%
Net assets							
Invested in capital assets, net of related debt	8,616,086	7,343,840	59,171	69,818	8,675,257	7,413,658	17.02%
Restricted	1,252,891	1,104,572	-	-	1,252,891	1,104,572	13.43%
Unrestricted	<u>953,027</u>	<u>827,194</u>	<u>1,023</u>	<u>42,991</u>	<u>954,050</u>	<u>870,185</u>	9.64%
Total net assets	<u>\$10,822,004</u>	<u>\$ 9,275,606</u>	<u>\$ 60,194</u>	<u>\$ 112,809</u>	<u>\$ 10,882,198</u>	<u>\$ 9,388,415</u>	15.91%

The District's combined net assets increased by approximately 16%, or \$1,493,783, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$148,319, or approximately 13% over the prior year. The increase in restricted net assets is directly related to the payment of bonds that funded the building projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$83,865 or approximately 10%. The School District’s improved financial position is attributed to several years of budget efficiencies and increases in the cash reserve levy. The District’s goal of spending less than what is received has been attained.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Revenues							
Program revenues							
Charges for service and sales	\$ 795,996	\$ 707,317	\$ 215,144	\$ 202,197	\$ 1,011,140	\$ 909,514	11.17%
Operating grants	730,202	748,708	139,404	118,870	869,606	867,578	0.23%
General revenues							
Property tax	3,252,690	3,282,097	-	-	3,252,690	3,282,097	-0.90%
Sales and services tax	772,347	693,424	-	-	772,347	693,424	11.38%
Unrestricted state grants	3,113,517	3,122,192	-	-	3,113,517	3,122,192	-0.28%
Contributions and donations	129,459	1,200	-	-	129,459	1,200	10688.25%
Unrestricted investment earnings	147,242	103,904	733	716	147,975	104,620	41.44%
Other	6,887	20,091	-	-	6,887	20,091	-65.72%
Gain on disposal of capital assets	-	8,056	-	-	-	8,056	-100.00%
Total revenues	<u>8,948,340</u>	<u>8,686,989</u>	<u>355,281</u>	<u>321,783</u>	<u>9,303,621</u>	<u>9,008,772</u>	3.27%
Program expenses							
Governmental activities							
Instruction	4,682,488	4,491,204	-	-	4,682,488	4,491,204	4.26%
Support services	2,118,043	1,908,728	-	-	2,118,043	1,908,728	10.97%
Non-instructional programs	1,202	3,396	407,896	341,291	409,098	344,687	18.69%
Other expenses	<u>600,209</u>	<u>971,761</u>	<u>-</u>	<u>-</u>	<u>600,209</u>	<u>971,761</u>	-38.23%
Total expenses	<u>7,401,942</u>	<u>7,375,089</u>	<u>407,896</u>	<u>341,291</u>	<u>7,809,838</u>	<u>7,716,380</u>	1.21%
Change in net assets	<u>\$ 1,546,398</u>	<u>\$ 1,311,900</u>	<u>\$ (52,615)</u>	<u>\$ (19,508)</u>	<u>\$ 1,493,783</u>	<u>\$ 1,292,392</u>	15.58%

In fiscal 2006, property tax and unrestricted state grants account for 71% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.8% of the revenue from business type activities.

The District’s total revenues were \$9,303,621 of which \$8,948,340 was for governmental activities and \$355,281 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.27% increase in revenues and a 1.21% increase in expenses. The increase in expenses is related to increases in negotiated salary and benefits as well as inflationary increases in the cost of fuel, utilities and supplies.

Governmental Activities

Revenues for governmental activities were \$8,948,340 and expenses were \$7,401,942. The District continues to balance the budget by monitoring 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					
	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-2006	2006	2005	Change 2005-2006
Instruction	\$ 4,682,488	\$ 4,491,204	4.3%	\$ 3,412,857	\$ 3,289,772	3.7%
Support services	2,118,043	1,908,728	11.0%	2,117,432	1,907,515	11.0%
Non-instructional programs	1,202	3,396	-64.61%	1,202	3,396	-64.61%
Other expenses	<u>600,209</u>	<u>971,761</u>	-38.2%	<u>344,253</u>	<u>718,381</u>	-52.1%
Total expenses	<u>\$ 7,401,942</u>	<u>\$ 7,375,089</u>	0.4%	<u>\$ 5,875,744</u>	<u>\$ 5,919,064</u>	-0.7%

- The cost financed by users of the District’s programs was \$795,996.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$730,202.
- The net cost of governmental activities was financed with \$4,025,037 in property and other taxes and \$3,113,517 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$355,281 representing a 10.4% increase over the prior year and expenses were \$407,896, a 19.5% increase over the prior year. The District’s business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2006, the District did not increase student lunch prices; but, adult lunch prices were increased to \$2.00 to help offset the total cost of each adult meal. The Board is aware that the Nutrition Fund will not generate adequate revenue to cover the costs. Lunch prices will be reviewed in the future and adjusted if necessary.

Also during fiscal 2006, the District implemented the preschool program. State funding follows a year behind in this type of program. This fund will continue to show a negative balance for several years. Tuition fees paid for four year old students enrolled in

the program help to decrease the negative balance. The Board is aware of this situation and will monitor as required.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,246,623, well above last year's ending fund balances of \$2,019,947. The primary reason for the increase in combined fund balances in fiscal 2006 is due to strict monitoring of budget to keep spending within boundaries and continuing to levy for cash reserve.

Governmental Fund Highlights

- The General Fund balance increased from \$799,631 to \$958,223. This improvement was due in part to continued budget efficiencies when possible and the use of the cash reserve levy to help boost revenue.
- The Debt Service Fund balance increased slightly from \$61,663 in fiscal 2005 to \$61,830 in fiscal 2006. The increase is due to interest earned on accumulated monies.
- The Capital Projects Fund balance decreased slightly from \$752,863 in fiscal 2005 to \$752,041 in fiscal 2006 due to site improvement projects being funded with excess local option sales tax.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$112,809 at June 30, 2005 to \$60,194 at June 30, 2006, representing a decrease of approximately 47%. The decrease is attributed to lunch prices not being increased while wages and food costs have increased. The Board will monitor this situation.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service Funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a GAAP basis and was not amended in fiscal year 2006.

The District's receipts were \$62,336 less than budgeted receipts, a variance of less than 1%. The most significant variance resulted from the District receiving more in interest on the local option sales tax investments.

Total expenditures were \$679,673 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$10,060,258 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 increase of 4.3% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$349,331.

The original cost of the District's capital assets was \$14,604,464. Governmental funds account for \$14,440,743, with the remainder of \$163,721 accounted for in the Proprietary, School Nutrition Fund.

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

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$ 65,743	\$ 65,743	\$ -	\$ -	\$ 65,743	\$ 65,743	0.00%
Buildings and improvements	9,165,880	8,841,355	-	-	9,165,880	8,841,355	3.67%
Improvements, other than buildings	203,951	219,588	-	-	203,951	219,588	-7.12%
Furniture and equipment	<u>565,512</u>	<u>447,154</u>	<u>59,172</u>	<u>69,818</u>	<u>624,684</u>	<u>516,972</u>	20.84%
Totals	<u>\$10,001,086</u>	<u>\$ 9,573,840</u>	<u>\$59,172</u>	<u>\$69,818</u>	<u>\$10,060,258</u>	<u>\$9,643,658</u>	4.32%

Long-Term Debt

At June 30, 2006, the District had \$1,420,338 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 38% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total School District		Total Change
	2006	2005	2005-2006
General obligation bonds	\$ 110,000	\$ 545,000	-79.82%
Revenue bonds	1,275,000	1,685,000	-24.33%
Compensated absences	5,196	2,097	147.78%
Early retirement	<u>30,142</u>	<u>60,284</u>	-50.00%
Total	<u>\$ 1,420,338</u>	<u>\$ 2,292,381</u>	-38.04%

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 Administration building will be renovated to provide the Business Office with a suitable facility.
- Wall repairs in the MS gym will be done.
- The District continues to experience a small decline in enrollment.
- The bus replacement program will continue with replacement of two buses during 2006-07.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents			
ISCAP	\$ 647,706	\$ -	\$ 647,706
Cash with fiscal agent	643,738	-	643,738
Other	2,113,723	43,568	2,157,291
Receivables			
Property tax			
Delinquent	26,047	-	26,047
Succeeding year	2,810,528	-	2,810,528
Accrued interest			
ISCAP	6,810	-	6,810
Accounts receivable	19,859	-	19,859
Due from other governments	195,713	-	195,713
Inventories	-	11,481	11,481
Capital assets, net of accumulated depreciation	10,001,086	59,171	10,060,257
Total assets	16,465,210	114,220	16,579,430
LIABILITIES			
Accounts payable	136,017	-	136,017
Salaries and benefits payable	600,282	7,921	608,203
Negative bank balance	-	46,105	46,105
Due to other governments	11,206	-	11,206
Accrued interest payable	5,367	-	5,367
Deferred revenue - succeeding year property tax	2,810,528	-	2,810,528
Deferred revenue - other	494	-	494
ISCAP warrants payable	647,000	-	647,000
ISCAP accrued interest payable	6,167	-	6,167
ISCAP unamortized premium payable	5,807	-	5,807
Long-term liabilities			
Portion due within one year			
Bonds payable	110,000	-	110,000
Revenue bonds payable	430,000	-	430,000
Early retirement	15,071	-	15,071

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
LIABILITIES (continued)			
Long-term liabilities (continued)			
Portion due after one year			
Revenue bonds payable	\$ 845,000	\$ -	\$ 845,000
Early retirement	15,071	-	15,071
Compensated absences	5,196	-	5,196
Total liabilities	<u>5,643,206</u>	<u>54,026</u>	<u>5,697,232</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,616,086	59,171	8,675,257
Restricted for			
Management levy	69,734	-	69,734
Physical plant and equipment levy	226,614	-	226,614
Other special revenue purposes	148,039	-	148,039
Capital projects	108,303	-	108,303
Debt service	700,201	-	700,201
Unrestricted	953,027	1,023	954,050
Total net assets	<u>\$10,822,004</u>	<u>\$ 60,194</u>	<u>\$10,882,198</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2006

Exhibit B

	Program Revenues			Capital Grants, Contributions and Restricted Interest		Governmental Business Type Activities		Total	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	Governmental Business Type Activities			
<u>Functions/Programs</u>									
Governmental activities									
Instruction									
Regular instruction	\$ 2,972,491	\$ 711,646	\$ 325,914	\$ -	\$ -	\$ (1,934,931)	\$ -	\$ (1,934,931)	
Special instruction	915,070	82,657	131,186	-	-	(701,227)	-	(701,227)	
Other instruction	794,927	1,082	17,146	-	-	(776,699)	-	(776,699)	
	<u>4,682,488</u>	<u>795,385</u>	<u>474,246</u>			<u>(3,412,857)</u>		<u>(3,412,857)</u>	
Support services									
Student services	173,618	-	-	-	-	(173,618)	-	(173,618)	
Instructional staff services	298,285	-	-	-	-	(298,285)	-	(298,285)	
Administration services	659,920	-	-	-	-	(659,920)	-	(659,920)	
Operation and maintenance of plant services	512,424	25	-	-	-	(512,399)	-	(512,399)	
Transportation services	473,796	586	-	-	-	(473,210)	-	(473,210)	
	<u>2,118,043</u>	<u>611</u>				<u>(2,117,432)</u>		<u>(2,117,432)</u>	
Non-instructional programs	<u>1,202</u>					<u>(1,202)</u>		<u>(1,202)</u>	
Other expenditures									
Facilities acquisition	-	-	-	-	-	-	-	-	-
Long-term debt interest	82,391	-	-	-	-	(82,391)	-	(82,391)	
AEA flowthrough	255,956	-	255,956	-	-	-	-	-	
Depreciation (unallocated) *	261,862	-	-	-	-	(261,862)	-	(261,862)	
	<u>600,209</u>		<u>255,956</u>			<u>(344,253)</u>		<u>(344,253)</u>	
Total governmental activities	<u>7,401,942</u>	<u>795,996</u>	<u>730,202</u>			<u>(5,875,744)</u>		<u>(5,875,744)</u>	

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2006

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	Total
<u>Functions/Programs (continued)</u>					
Business type activities					
Non-instructional programs					
Nutrition services	\$ 345,148	\$ 205,004	\$ 139,404	\$ -	\$ (740)
Preschool	62,748	10,140	-	-	(52,608)
Total business type activities	\$ 407,896	\$ 215,144	\$ 139,404	\$ -	(53,348)
Total	\$ 7,809,838	\$ 1,011,140	\$ 869,606	\$ -	(5,929,092)
<u>General Revenues</u>					
Property tax levied for					
General purposes					2,597,814
Capital projects					203,738
Debt service					451,138
Local sales and services tax					772,347
Unrestricted state grants					3,113,517
Unrestricted investment earnings					147,242
Contributions and donations					129,459
Other					6,887
Total general revenues					7,422,142
Change in net assets					1,546,398
Net assets, beginning of year, as corrected					9,275,606
Net assets, end of year					\$ 10,822,004
					\$ 60,194
					\$ 10,882,198

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

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2006

Exhibit C

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
ASSETS					
Cash and pooled investments					
ISCAP	\$ 647,706	\$ -	\$ -	\$ -	\$ 647,706
Cash with fiscal agent	-	643,738	-	-	643,738
Other	1,451,084	33,877	57,681	571,081	2,113,723
Receivables					
Property tax					
Delinquent	19,415	-	4,129	2,503	26,047
Succeeding year	2,413,112	-	114,303	283,113	2,810,528
Accounts receivable	5,111	12,980	-	1,768	19,859
Accrued interest					
ISCAP	6,810	-	-	-	6,810
Due from other funds	103,000	-	-	-	103,000
Due from other governments	31,235	164,446	20	12	195,713
Total assets and other debits	<u>\$ 4,677,473</u>	<u>\$ 855,041</u>	<u>\$ 176,133</u>	<u>\$ 858,477</u>	<u>\$ 6,567,124</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 35,182	\$ -	\$ -	\$ 100,835	\$ 136,017
Salaries and benefits payable	600,282	-	-	-	600,282
Due to other funds	-	103,000	-	-	103,000
Due to other governments	11,206	-	-	-	11,206
ISCAP warrants payable	647,000	-	-	-	647,000
ISCAP accrued interest payable	6,167	-	-	-	6,167
ISCAP unamortized premium	5,807	-	-	-	5,807
Deferred revenue					
Succeeding year property tax	2,413,112	-	114,303	283,113	2,810,528
Other	494	-	-	-	494
Total liabilities	<u>3,719,250</u>	<u>103,000</u>	<u>114,303</u>	<u>383,948</u>	<u>4,320,501</u>
Fund balances					
Reserved for					
Debt service	-	643,738	61,830	-	705,568
Unreserved, undesignated	958,223	108,303	-	474,529	1,541,055
Total fund balances	<u>958,223</u>	<u>752,041</u>	<u>61,830</u>	<u>474,529</u>	<u>2,246,623</u>
Total liabilities and fund balances	<u>\$ 4,677,473</u>	<u>\$ 855,041</u>	<u>\$ 176,133</u>	<u>\$ 858,477</u>	<u>\$ 6,567,124</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2006

Exhibit D

Total fund balances of governmental funds	\$ 2,246,623
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.	10,001,086
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.	(5,367)
Long-term liabilities, including early retirement, compensated absences, bonds payable and revenue bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,420,338)</u>
Net assets of governmental activities	<u><u>\$ 10,822,004</u></u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues					
Local sources					
Local tax	\$ 2,436,348	\$ 772,347	\$ 450,778	\$ 363,308	\$ 4,022,781
Tuition	436,494	-	-	-	436,494
Other	140,648	170,094	1,901	329,506	642,149
State sources	3,665,974	-	360	218	3,666,552
Federal sources	175,681	-	-	-	175,681
Total revenues	<u>6,855,145</u>	<u>942,441</u>	<u>453,039</u>	<u>693,032</u>	<u>8,943,657</u>
Expenditures					
Current					
Instruction					
Regular instruction	2,937,414	-	-	66,243	3,003,657
Special instruction	915,070	-	-	-	915,070
Other instruction	500,858	-	-	290,618	791,476
	<u>4,353,342</u>	<u>-</u>	<u>-</u>	<u>356,861</u>	<u>4,710,203</u>
Support services					
Student services	176,456	-	-	-	176,456
Instructional staff services	298,285	-	-	-	298,285
Administration services	647,518	-	-	2,445	649,963
Operation and maintenance of plant services	463,924	-	-	40,173	504,097
Transportation services	504,553	-	-	89,098	593,651
	<u>2,090,736</u>	<u>-</u>	<u>-</u>	<u>131,716</u>	<u>2,222,452</u>
Non-instructional programs	<u>1,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,202</u>
Other expenditures					
Facilities acquisition	-	451,002	-	135,716	586,718
Long-term debt					
Principal	-	-	845,000	-	845,000
Interest and fiscal charges	-	3,491	96,642	-	100,133
AEA flowthrough	255,956	-	-	-	255,956
	<u>255,956</u>	<u>454,493</u>	<u>941,642</u>	<u>135,716</u>	<u>1,787,807</u>
Total expenditures	<u>6,701,236</u>	<u>454,493</u>	<u>941,642</u>	<u>624,293</u>	<u>8,721,664</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 153,909	\$ 487,948	\$ (488,603)	\$ 68,739	\$ 221,993
Other financing sources (uses)					
Sale of real property	4,683		-	-	4,683
Interfund operating transfers	-	(488,770)	488,770	-	-
Total other financing sources (uses)	<u>4,683</u>	<u>(488,770)</u>	<u>488,770</u>	<u>-</u>	<u>4,683</u>
Net change in fund balances	158,592	(822)	167	68,739	226,676
Fund balance, beginning of year, as corrected	<u>799,631</u>	<u>752,863</u>	<u>61,663</u>	<u>405,790</u>	<u>2,019,947</u>
Fund balance, end of year	<u>\$ 958,223</u>	<u>\$ 752,041</u>	<u>\$ 61,830</u>	<u>\$ 474,529</u>	<u>\$ 2,246,623</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances-Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2006

Exhibit F

Net change in fund balances - total governmental funds \$ 226,676
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	\$ 765,384	
Depreciation expense	<u>(338,138)</u>	427,246

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. 845,000

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

Compensated absences	(3,099)	
Early retirement	<u>30,142</u>	27,043

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. 17,742

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan. The change in net assets of the Internal Service Fund is reported with governmental activities 2,691

Change in net assets of governmental activities \$ 1,546,398

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2006

Exhibit G

	<u>Nonmajor Enterprise</u>
ASSETS	
Cash and cash equivalents	\$ 43,568
Inventories	11,481
Capital assets, net of accumulated depreciation	<u>59,171</u>
Total assets	<u>114,220</u>
 LIABILITIES	
Negative bank balance	46,105
Salaries and benefits payable	<u>7,921</u>
Total liabilities	<u>54,026</u>
 NET ASSETS	
Invested in capital assets	59,171
Unrestricted	<u>1,023</u>
Total net assets	<u><u>\$ 60,194</u></u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

Exhibit H

	<u>Business Type</u> <u>Activity</u>	<u>Governmental</u> <u>Activity</u>
	<u>Nonmajor</u> <u>Enterprise</u>	<u>Internal</u> <u>Service</u>
Operating revenue		
Local sources		
Charges for service	\$ 215,144	\$ 2,691
Operating expenses		
Support services		
Administration services		
Salaries	42,426	-
Benefits	27,021	-
Purchased services	50	-
Supplies	11,932	-
Operation and maintenance of plant		
Purchased services	6,777	-
Total support services	<u>88,206</u>	<u>-</u>
Non-instructional programs		
Salaries	105,087	-
Benefits	42,756	-
Purchased services	2,158	-
Supplies	158,496	-
Depreciation	11,193	-
Total non-instructional programs	<u>319,690</u>	<u>-</u>
Total operating expenses	<u>407,896</u>	<u>-</u>
Operating income (loss)	<u>(192,752)</u>	<u>2,691</u>
Non-operating revenues		
Interest income	733	-
State sources	5,011	-
Federal sources	134,393	-
Total non-operating revenues	<u>140,137</u>	<u>-</u>
Net income (loss)	(52,615)	2,691
Net assets, beginning of year	112,809	(2,691)
Net assets, end of year	<u>\$ 60,194</u>	<u>\$ -</u>

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

Exhibit I

	<u>Nonmajor Enterprise</u>	<u>Governmental Activity Internal Service</u>
Cash flows from operating activities		
Cash received from sale of meals	\$ 205,004	\$ -
Cash received from sale of services	10,140	2,691
Cash payments to employees for services	(165,056)	-
Cash payments to suppliers for goods and services	<u>(158,985)</u>	<u>(2,691)</u>
Net cash used in operating activities	<u>(108,897)</u>	<u>-</u>
Cash flows from non-capital financing activities		
State grants received	5,011	-
Federal grants received	<u>111,984</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>116,995</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>(546)</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>733</u>	<u>-</u>
Net increase in cash and cash equivalents	8,285	-
Cash and cash equivalents, beginning of year	<u>35,283</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 43,568</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating income (loss)	\$ (192,752)	\$ 2,691
Adjustments to reconcile operating income (loss) to net cash used in operating activities		
Commodities used	22,409	-
Depreciation	11,193	-
(Increase) in inventories	(3,478)	-
Increase (decrease) in accounts payable	45,810	(2,691)
Increase in accrued salaries and benefits	<u>7,921</u>	<u>-</u>
Net cash used in operating activities	<u>\$ (108,897)</u>	<u>\$ -</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$22,409 of federal commodities.

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The District reports no major proprietary funds. However, the District reports three nonmajor proprietary funds. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District and the Enterprise, Preschool Fund is used to account for the operation of a district-run preschool. The Internal Service, Flex Spending Fund is utilized to account for employee flexible benefits. The Internal Service Fund was discontinued during the year ended June 30, 2006.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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 and improvements	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Early Retirement - Certified District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2006. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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

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

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted in any of the four functions, nor did General Fund expenditures exceed the District's unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The only District investments were government securities invested with a fiscal agent to fund revenue anticipation bonds. At June 30, 2006, the District had \$643,738 invested with Bankers Trust Company, of which \$27,845 was in a money market account, \$435,752 was in a MCIA In. Investment maturing on 4/1/09 and \$180,141 was invested in the Goldman Sachs Financial Square Treasury Obligations Fund. The investments are valued at cost and were rated Aaa by Moody's Investors Service.

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 103,000

The Capital Projects Fund owes the General Fund for an interfund loan. The loan is expected to be repaid during fiscal year ending June 30, 2007.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 488,770

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

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2005-06B	1/26/06	1/26/07	\$ 330,148	\$ 6,711	\$ 329,000	\$ 6,089	\$ 3,388
2006-07A	6/28/06	6/28/07	<u>317,558</u>	<u>99</u>	<u>318,000</u>	<u>78</u>	<u>2,419</u>
			<u>\$ 647,706</u>	<u>\$ 6,810</u>	<u>\$ 647,000</u>	<u>\$ 6,167</u>	<u>\$ 5,807</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District

must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity during the year ended June 30, 2006.

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2005-06A	4.000%	3.9030%
2005-06B	4.500%	4.7720%
2006-07A	4.500%	5.6760%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 65,743	\$ -	\$ -	\$ 65,743
Total capital assets, not being depreciated	<u>65,743</u>	<u>-</u>	<u>-</u>	<u>65,743</u>
Capital assets being depreciated:				
Buildings and improvements	11,921,438	560,140	-	12,481,578
Improvements other than buildings	604,628	7,151	-	611,779
Furniture and equipment	<u>1,116,550</u>	<u>198,093</u>	<u>(33,000)</u>	<u>1,281,643</u>
Total capital assets being depreciated	<u>13,642,616</u>	<u>765,384</u>	<u>(33,000)</u>	<u>14,375,000</u>
Less accumulated depreciation for:				
Buildings and improvements	3,080,083	235,615	-	3,315,698
Improvements other than buildings	385,040	22,788	-	407,828
Furniture and equipment	<u>669,396</u>	<u>79,735</u>	<u>(33,000)</u>	<u>716,131</u>
Total accumulated depreciation	<u>4,134,519</u>	<u>338,138</u>	<u>(33,000)</u>	<u>4,439,657</u>
Total capital assets being depreciated, net	<u>9,508,097</u>	<u>427,246</u>	<u>-</u>	<u>9,935,343</u>
Governmental activities capital assets, net	<u>\$ 9,573,840</u>	<u>\$ 427,246</u>	<u>\$ -</u>	<u>\$ 10,001,086</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 163,174	\$ 547	\$ -	\$ 163,721
Less accumulated depreciation	<u>93,356</u>	<u>11,193</u>	<u>-</u>	<u>104,549</u>
Business type activities capital assets, net	<u>\$ 69,818</u>	<u>\$ (10,646)</u>	<u>\$ -</u>	<u>\$ 59,172</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 1,667
Other	3,451
Support services	
Administration	5,790
Operation and maintenance of plant	9,395
Transportation	55,973
Unallocated depreciation	<u>261,862</u>
Total governmental activities depreciation expense	<u>\$ 338,138</u>

Business type activities

Food services	<u>\$ 11,193</u>
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Note 7. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Early retirement	\$ 60,284	\$ 7,536	\$ (37,678)	\$ 30,142	\$ 15,071
Compensated absences	2,097	5,196	(2,097)	5,196	-
General obligation bonds	545,000	-	(435,000)	110,000	110,000
Revenue anticipation bonds	<u>1,685,000</u>	<u>-</u>	<u>(410,000)</u>	<u>1,275,000</u>	<u>430,000</u>
Totals	<u>\$ 2,292,381</u>	<u>\$ 12,732</u>	<u>\$(884,775)</u>	<u>\$ 1,420,338</u>	<u>\$ 555,071</u>

Early retirement

Certified District employees who have 25 years of continuous service and are at least 55 years of age, are eligible for early retirement pay. Employees who participate in the early retirement program shall receive a benefit of \$21,000. Non-certified employees who are 55 years of age or older and have 10 years of service to the District also qualify for early retirement benefits. The retirement benefit for non-certified employees is equal to two and one-half days' pay for each year of service to the District. Early retirement expenditures for the year ended June 30, 2006 totaled \$37,678.

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Bond issue of February 4, 2002</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 4,303	\$ 110,000	\$ 114,303

Revenue Anticipation Bonds Payable

On June 1, 2000, the District issued School Infrastructure Sales and Services Tax Revenue Bonds. The proceeds of the bonds are to be used to construct and remodel a new middle school building. The bonds will be repaid by the collection of the local option sales and services tax for school infrastructure. The bonds include Series 2000A in the amount of \$3,875,000 and Series 2000B in the amount of \$400,000. The bonds are secured by a Reserve Fund, which was established under the Bond Resolution. A Sinking Fund has been established into which collections of the local option sales and service tax will be deposited. Interest and principal on the bonds will be paid from the Sinking Fund. Details of the District's June 30, 2006 revenue anticipation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
		2007	4.65%	\$ 430,000
2008	4.70%	445,000	39,916	484,916
2009	4.75%	<u>400,000</u>	<u>19,000</u>	<u>419,000</u>
Totals		<u>\$ 1,275,000</u>	<u>\$ 118,826</u>	<u>\$ 1,393,826</u>

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

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$252,592, \$236,652 and \$233,113 respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$255,956 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Subsequent Events

The District will have two construction projects starting in the fall of 2006. The administration building and middle school gym will be remodeled. The projects are expected to be completed by the summer of 2007. At June 30, 2006, the District had not incurred any costs related to these projects.

Note 12. Correction of Beginning Balances

During the year ended June 30, 2006, the District discovered errors relating to the fund balances reported for the prior fiscal year in the General Fund and the Capital Projects Fund. Therefore, the beginning balances of those funds have been corrected as follows:

General Fund	Decreased	\$49,559
Capital Projects Fund	Increased	\$32,351

The beginning balance in the governmental activities in the government-wide Statement of Activities was also effected by these errors, resulting in a net decrease to the beginning net assets of \$17,208.

Required Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance
						Original	Final	
Revenues								
Local sources	\$ 5,101,424	\$ 218,568	\$ 5,319,992	\$ (2,691)	\$ 5,317,301	\$ 5,254,589	\$ 5,254,589	\$ 62,712
Intermediate sources	-	-	-	-	-	1,008	1,008	(1,008)
State sources	3,666,552	5,011	3,671,563	-	3,671,563	3,762,677	3,762,677	(91,114)
Federal sources	175,681	134,393	310,074	-	310,074	343,000	343,000	(32,926)
Total revenues	<u>8,943,657</u>	<u>357,972</u>	<u>9,301,629</u>	<u>(2,691)</u>	<u>9,298,938</u>	<u>9,361,274</u>	<u>9,361,274</u>	<u>(62,336)</u>
Expenditures								
Instruction	4,710,203	-	4,710,203	-	4,710,203	5,095,939	5,095,939	385,736
Support services	2,222,452	88,206	2,310,658	-	2,310,658	2,465,801	2,465,801	155,143
Non-instructional programs	1,202	319,690	320,892	-	320,892	391,137	391,137	70,245
Other expenditures	1,787,807	-	1,787,807	-	1,787,807	1,856,356	1,856,356	68,549
Total expenditures	<u>8,721,664</u>	<u>407,896</u>	<u>9,129,560</u>	<u>-</u>	<u>9,129,560</u>	<u>9,809,233</u>	<u>9,809,233</u>	<u>679,673</u>
Excess (deficiency) of revenues over (under) expenditures Net other financing sources, net	<u>221,993</u> <u>4,683</u>	<u>(49,924)</u> <u>-</u>	<u>172,069</u> <u>4,683</u>	<u>(2,691)</u> <u>-</u>	<u>169,378</u> <u>4,683</u>	<u>(447,959)</u> <u>5,750</u>	<u>(447,959)</u> <u>5,750</u>	<u>617,337</u> <u>(1,067)</u>
Net change in fund balance Balance, beginning of year, as corrected Balance, end of year	<u>226,676</u> <u>2,019,947</u> <u>\$ 2,246,623</u>	<u>(49,924)</u> <u>110,118</u> <u>\$ 60,194</u>	<u>176,752</u> <u>2,130,065</u> <u>\$ 2,306,817</u>	<u>(2,691)</u> <u>2,691</u> <u>\$ -</u>	<u>174,061</u> <u>2,132,756</u> <u>\$ 2,306,817</u>	<u>(442,209)</u> <u>1,157,996</u> <u>\$ 715,787</u>	<u>(442,209)</u> <u>1,157,996</u> <u>\$ 715,787</u>	<u>616,270</u> <u>974,760</u> <u>\$ 1,591,030</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2006

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, Capital Projects Fund and Debt Service Fund.

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

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

During the year ended June 30, 2006, District expenditures did not exceed the amounts budgeted in any of the four functions or the General Fund unspent authorized budget.

Other Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

Schedule 1

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 110,979	\$ 162,116	\$ 297,986	\$ 571,081
Receivables				
Property tax				
Current year delinquent	1,488	-	1,015	2,503
Succeeding year	160,000	-	123,113	283,113
Accounts receivable	-	1,768	-	1,768
Due from other governments	<u>7</u>	<u>-</u>	<u>5</u>	<u>12</u>
 Total assets	 <u>\$ 272,474</u>	 <u>\$ 163,884</u>	 <u>\$ 422,119</u>	 <u>\$ 858,477</u>
 LIABILITIES AND BALANCES				
Liabilities				
Accounts payable	\$ 12,598	\$ 15,845	\$ 72,392	\$ 100,835
Deferred revenue				
Succeeding year property tax	<u>160,000</u>	<u>-</u>	<u>123,113</u>	<u>283,113</u>
Total liabilities	172,598	15,845	195,505	383,948
 Fund Balances				
Unreserved fund balances	<u>99,876</u>	<u>148,039</u>	<u>226,614</u>	<u>474,529</u>
 Total liabilities and fund balances	 <u>\$ 272,474</u>	 <u>\$ 163,884</u>	 <u>\$ 422,119</u>	 <u>\$ 858,477</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT Schedule 2
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2006

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues				
Local sources				
Local taxes	\$ 159,659	\$ -	\$ 203,649	\$ 363,308
Other	6,883	314,898	7,725	329,506
State sources	129	-	89	218
Total revenues	<u>166,671</u>	<u>314,898</u>	<u>211,463</u>	<u>693,032</u>
Expenditures				
Instruction				
Regular program instruction	66,243	-	-	66,243
Other instruction	-	290,618	-	290,618
Support services				
Administration services	2,171	274	-	2,445
Operation and maintenance of plant services	40,173	-	-	40,173
Transportation services	28,356	-	60,742	89,098
Other expenditures				
Facilities acquisition and construction	-	-	135,716	135,716
Total expenditures	<u>136,943</u>	<u>290,892</u>	<u>196,458</u>	<u>624,293</u>
Net change in fund balances	29,728	24,006	15,005	68,739
Fund balances, beginning of year	<u>70,148</u>	<u>124,033</u>	<u>211,609</u>	<u>405,790</u>
Fund balances, end of year	<u>\$ 99,876</u>	<u>\$ 148,039</u>	<u>\$ 226,614</u>	<u>\$ 474,529</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2006

Schedule 3

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
ASSETS			
Cash and cash equivalents	\$ 43,568	\$ -	\$43,568
Inventories	11,481	-	11,481
Capital assets, net of accumulated depreciation	<u>59,171</u>	<u>-</u>	<u>59,171</u>
Total assets	<u>114,220</u>	<u>-</u>	<u>114,220</u>
LIABILITIES			
Negative bank balance	-	46,105	46,105
Salaries and benefits payable	<u>1,418</u>	<u>6,503</u>	<u>7,921</u>
Total liabilities	<u>1,418</u>	<u>52,608</u>	<u>54,026</u>
NET ASSETS			
Invested in capital assets	59,171	-	59,171
Unrestricted	<u>53,631</u>	<u>(52,608)</u>	<u>1,023</u>
Total net assets	<u>\$112,802</u>	<u>\$(52,608)</u>	<u>\$60,194</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2006

Schedule 4

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 205,004	\$ 10,140	\$ 215,144
Operating expenses			
Support services			
Administration services			
Salaries	9,492	32,934	42,426
Benefits	9,139	17,882	27,021
Purchased services	50	-	50
Supplies	-	11,932	11,932
Operation and maintenance of plant			
Purchased services	6,777	-	6,777
Non-instructional programs			
Salaries	105,087	-	105,087
Benefits	42,756	-	42,756
Purchased services	2,158	-	2,158
Supplies	158,496	-	158,496
Depreciation	11,193	-	11,193
Total operating expenses	<u>345,148</u>	<u>62,748</u>	<u>407,896</u>
Operating loss	<u>(140,144)</u>	<u>(52,608)</u>	<u>(192,752)</u>
Non-operating revenue			
Interest income	733	-	733
State sources	5,011	-	5,011
Federal sources	134,393	-	134,393
Total non-operating revenue	<u>140,137</u>	<u>-</u>	<u>140,137</u>
Net loss	(7)	(52,608)	(52,615)
Net assets, beginning of year	112,809	-	112,809
Net assets, end of year	<u>\$ 112,802</u>	<u>\$ (52,608)</u>	<u>\$ 60,194</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2006

Schedule 5

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
Cash flows from operating activities			
Cash received from sale of meals	\$ 205,004	\$ -	\$ 205,004
Cash received from sale of services	-	10,140	10,140
Cash payments to employees for services	(165,056)	-	(165,056)
Cash payments to suppliers for goods and services	<u>(148,845)</u>	<u>(10,140)</u>	<u>(158,985)</u>
Net cash (used in) operating activities	<u>(108,897)</u>	<u>-</u>	<u>(108,897)</u>
Cash flows from non-capital financing activities			
State grants received	5,011	-	5,011
Federal grants received	<u>111,984</u>	<u>-</u>	<u>111,984</u>
Net cash provided by non-capital financing activities	<u>116,995</u>	<u>-</u>	<u>116,995</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(546)</u>	<u>-</u>	<u>(546)</u>
Cash flows from investing activities			
Interest on investments	<u>733</u>	<u>-</u>	<u>733</u>
Net increase in cash and cash equivalents	8,285	-	8,285
Cash and cash equivalents, beginning of year	<u>35,283</u>	<u>-</u>	<u>35,283</u>
Cash and cash equivalents, end of year	<u>\$ 43,568</u>	<u>\$ -</u>	<u>\$ 43,568</u>
 Reconciliation of operating (loss) to net cash			
(used in) operating activities			
Operating (loss)	\$ (140,144)	\$ (52,608)	\$ (192,752)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities			
Commodities used	22,409	-	22,409
Depreciation	11,193	-	11,193
(Increase) in inventories	(3,478)	-	(3,478)
(Decrease) in accounts payable	(295)	46,105	45,810
Increase in accrued salaries and benefits	<u>1,418</u>	<u>6,503</u>	<u>7,921</u>
Net cash (used in) operating activities	<u>\$ (108,897)</u>	<u>\$ -</u>	<u>\$ (108,897)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$22,409 of federal commodities.

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2006

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance, End of Year
Athletics	\$ 50,274	\$ 103,513	\$ 101,153	\$ (3,456)	\$ 49,178
Middle school athletics	12,083	13,164	15,637	495	10,105
Beverage contract	6,499	-	-	-	6,499
Cheerleaders	704	-	-	-	704
Concessions	(896)	77,033	63,625	3,724	16,236
FFA	4,606	42,078	41,389	(597)	4,698
FFA Tractor Restoration	-	1,500	173	-	1,327
FFA Scholarship	900	7	-	-	907
FCCLA	863	3,052	2,787	-	1,128
Band	6,715	6,587	3,732	1,102	10,672
High school band resale	(1,153)	1,264	2,394	-	(2,283)
High school student council	4,510	26,885	24,597	(139)	6,659
Vocal music	448	-	-	-	448
National Honor Society	3,122	2,744	1,626	(939)	3,301
Science club	440	-	66	-	374
Spanish club	18	-	-	-	18
Thespians	2,109	1,810	2,345	-	1,574
Yearbook	5,019	5,803	8,642	-	2,180
Econ	-	228	228	-	-
Business Professionals of America	3,348	-	79	795	4,064
Art club	2,377	843	897	-	2,323
SEEDS	491	-	118	-	373
High school account	3,308	647	250	(490)	3,215
Class of:					
2006	1,038	203	1,165	-	76
2007	(211)	4,004	2,675	29	1,147
2008	193	198	-	-	391
2009	-	174	-	-	174
Middle school band	2,557	-	-	-	2,557
Middle school student council	1,173	5,021	4,449	(264)	1,481
Middle school fundraiser	7,686	-	-	-	7,686
Middle school athletics	9	8	(15)	(8)	24

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2006

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u>	Balance, End of Year
Middle school account	\$ 1,430	\$ 5,465	\$ 5,240	\$ (909)	\$ 746
Middle school student store	1,302	44	-	-	1,346
Middle School scholarship	-	27	-	656	683
Bulldog Bities Restaurant	-	587	391	1	197
Elementary	2,232	3,967	4,646	-	1,553
Elementary art	1,713	3,349	2,290	-	2,772
Interest	(874)	4,693	313	-	3,506
	<u>\$ 124,033</u>	<u>\$ 314,898</u>	<u>\$ 290,892</u>	<u>\$ -</u>	<u>\$ 148,039</u>
Totals					

See accompanying Independent Auditor's Report.

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

Schedule 7

	Modified Accrual Basis			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues				
Local sources				
Local tax	\$ 4,022,781	\$ 3,973,148	\$ 4,048,951	\$ 3,821,730
Tuition	436,494	377,139	334,362	333,356
Other	642,149	455,373	486,340	475,118
State sources	3,666,552	3,641,209	3,451,503	3,366,057
Federal sources	175,681	232,064	174,926	201,411
Total revenues	<u>\$ 8,943,657</u>	<u>\$ 8,678,933</u>	<u>\$ 8,496,082</u>	<u>\$ 8,197,672</u>
Expenditures				
Instruction				
Regular instruction	\$ 3,003,657	\$ 3,061,212	\$ 3,042,636	\$ 2,986,782
Special instruction	915,070	845,138	860,062	775,694
Other instruction	791,476	586,163	597,539	657,388
Support services				
Student services	176,456	176,336	165,572	202,007
Instructional staff services	298,285	95,705	149,222	145,203
Administration services	649,963	765,701	798,523	683,532
Operation and maintenance of plant services	504,097	444,312	479,432	497,280
Transportation services	593,651	495,752	443,243	294,371
Central support services	-	-	70	-
Non-instructional programs	1,202	3,396	3,187	3,094
Other expenditures				
Facilities acquisition	586,718	426,644	101,192	367,175
Long-term debt				
Principal	845,000	820,000	785,000	1,158,811
Interest and other charges	100,133	129,191	163,713	239,400
AEA flowthrough	255,956	253,380	257,247	266,403
Total expenditures	<u>\$ 8,721,664</u>	<u>\$ 8,102,930</u>	<u>\$ 7,846,638</u>	<u>\$ 8,277,140</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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

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

To the Board of Education
Mediapolis Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 19, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



Kay L. Chapman, CPA PC
October 19, 2006

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

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

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

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

Conclusion - Response accepted.

- B. Accounting for Resale Items - I noted that resale items were not being accounted for properly. The District records these items in the Student Activity Fund and collects the money for the resale of the items after the items have been ordered and paid for.

Recommendation - The District should review the administrative code and other guidance regarding accounting for resale items. Resale should be accounted for in an agency fund since it does not involve district money; the District is merely performing the accounting for these activities. Also, the money should be collected for the items before they are ordered to ensure that public funds are not used to purchase the items, since there would be questionable public purpose to these expenditures.

Response - We will research the proper accounting for resale activities and change our procedures accordingly.

Conclusion - Response accepted.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

- C. Signature Cards - I noted that the signature cards on file at the banks did not indicate that two signatures are required for all checking accounts. The signature cards at one of the banks also had the signature of the former board president. The Student Activity Fund secretary is an authorized signature on the bank signature card for the Student Activity Fund; however, the District has not properly authorized her to sign checks on behalf of the board president. The Code of Iowa states that the board president and board secretary are to sign all district checks, unless the board has adopted a resolution authorizing another designee to sign on behalf of the board president.

Recommendation - Chapters 291.1 and 291.8 of the Code of Iowa require the board president and board secretary to sign all District checks. Chapter 291.1 allows the board, by resolution, to designate an individual (other than the board secretary) to sign checks on behalf of the board president. If the board desires to have the Student Activity Fund secretary authorized to sign checks, they should adopt a resolution stating such. Until the board adopts such a resolution, the secretary should be removed from the bank signature cards. The District should also change all bank signature cards to indicate that two properly authorized signatures are required on all District checks and remove the former board president from the signature card. All signature cards should be reviewed annually to ensure that only properly authorized individuals are listed on the cards as authorized signatures.

Response - We will take appropriate action as recommended.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2006 did not exceed the amended amounts budgeted.
2. 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.
3. 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.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

5. 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.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board. However, the minutes were not always published within two weeks of the board meeting as required by the Code of Iowa. Also the minutes of the March 13 meeting did not include a reference to the Code of Iowa chapter allowing the board to enter a closed session.

Recommendation - Chapter 279.35 of the Code of Iowa requires that minutes be made available to the publisher within two weeks of the board meeting. The District should ensure that the minutes are submitted to the newspaper on a timely basis in order to comply with the Code of Iowa. Also, Chapter 21.5 of the Code of Iowa requires that the minutes contain a reference to the specific exemption that authorizes a closed session whenever the board enters into a closed session. The District should ensure that the minutes contain all required information.

Response - We will be more attentive of this in the future and include the required Code of Iowa reference in the minutes when entering into a closed session. We will submit the minutes to the newspaper within two weeks of the board meeting in compliance with the Code of Iowa.

Conclusion - Response accepted.

7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. 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.
9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no material errors in the amounts reported.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

10. Financial Condition - The District had unreserved deficit in the Preschool Fund of \$52,608 at June 30, 2006.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate this deficit in order to return the fund to a sound financial condition.

Response - We will review this situation and implement changes, as needed.

Conclusion - Response accepted.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2006

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant