

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

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MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 Election)		
Michael Brown	Board President	2008
Sherrri 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
(After September 2006 Election)		
Michael Brown	Board President	2008
Frank Hedges	Board Member	2007
Melodee Kennedy	Board Member	2007
Julie Edmonds	Board Member	2007
David Baker	Board Member	2008
Dawn Dunnegan	Board Member	2009
Kenton Klenk	Board Member	2009
School Officials		
Fred Whipple	Superintendent	2007
Pat Heitmeier	District Secretary/Treasurer	2007
Brian Gruhn	Attorney	2007

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, 2007, 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, 2007, 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 April 29, 2008 on my consideration of Mediapolis Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mediapolis Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 6, 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. 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, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the four years in the period ended June 30, 2007, appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
April 29, 2008

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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,855,145 in fiscal 2006 to \$7,562,795 in fiscal 2007, and General Fund expenditures increased from \$6,701,2363 in fiscal 2006 to \$7,111,775 in fiscal 2007. The District's General Fund balance increased from \$905,284 in fiscal 2006 to \$1,318,525 in fiscal 2007, a 45% increase.
- Enrollment numbers indicated a decrease in September 2006. Regular enrolled students decreased by 8.9 students while open enrolled students decreased by 13. This indicates an approximate 2% decrease in regular enrollment numbers.
- Work began on renovating the Administration Building in November 2006. Extensive termite damage was discovered. The Board decided to have the existing structure razed and to replace the building on the existing foundation. The cost of the reconstructed Administration Building was approximately \$329,000. The building was ready for occupancy in August 2007. The building was paid for out of PPEL and Capital Project Funds and was built debt-free.
- The District replaced two buses in 2006-07 as the fleet continues to be updated.
- In December 2006 a \$126,623 settlement was received as part of a class-action lawsuit against Allied Group Insurance. Paperwork to participate in this lawsuit had been filed in August 2005. The money received is part of the Management Fund.

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.

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

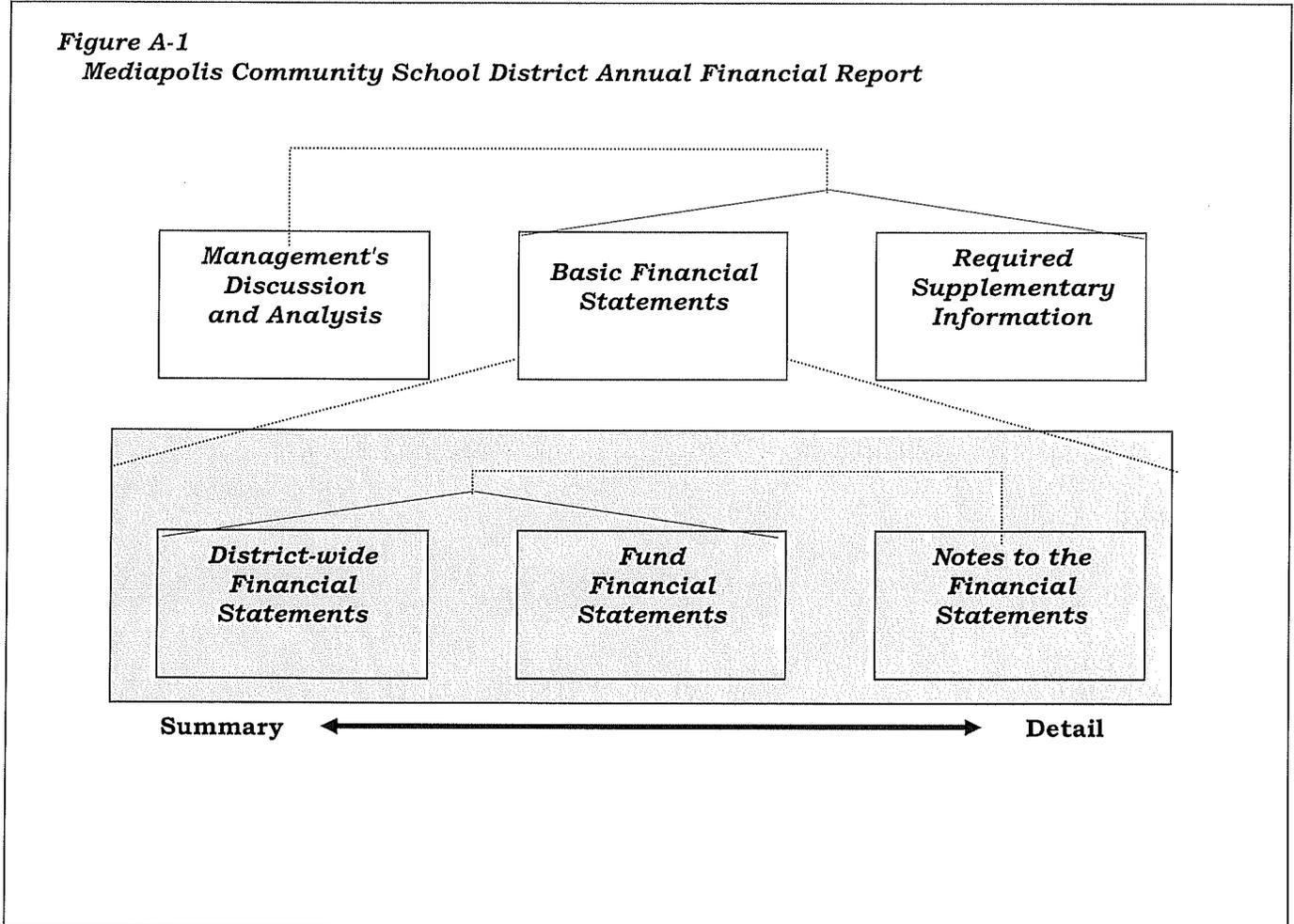


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 and preschool programs are included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, 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.

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, 2007 compared to June 30, 2006.

Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
Current and other assets	\$ 7,362,628	\$ 6,464,124	\$ 49,195	\$ 55,049	\$ 7,411,823	\$ 6,519,173	13.69%
Capital assets	<u>10,144,591</u>	<u>10,001,086</u>	<u>53,651</u>	<u>59,171</u>	<u>10,198,242</u>	<u>10,060,257</u>	1.37%
Total assets	<u>17,507,219</u>	<u>16,465,210</u>	<u>102,846</u>	<u>114,220</u>	<u>17,610,065</u>	<u>16,579,430</u>	6.22%
Long-term obligations	948,625	1,420,338	-	-	948,625	1,420,338	-33.21%
Other liabilities	<u>4,080,018</u>	<u>4,222,868</u>	<u>52,533</u>	<u>54,026</u>	<u>4,132,551</u>	<u>4,276,894</u>	-3.37%
Total liabilities	<u>5,028,643</u>	<u>5,643,206</u>	<u>52,533</u>	<u>54,026</u>	<u>5,081,176</u>	<u>5,697,232</u>	-10.81%
Net assets							
Invested in capital assets, net of related debt	9,299,591	8,616,086	53,651	59,171	9,353,242	8,675,257	7.82%
Restricted	1,534,258	1,252,891	-	-	1,534,258	1,252,891	22.46%
Unrestricted	<u>1,644,727</u>	<u>900,088</u>	<u>(3,338)</u>	<u>1,023</u>	<u>1,641,389</u>	<u>901,111</u>	82.15%
Total net assets	<u>\$12,478,576</u>	<u>\$ 10,769,065</u>	<u>\$ 50,313</u>	<u>\$ 60,194</u>	<u>\$ 12,528,889</u>	<u>\$10,829,259</u>	15.69%

The District's combined net assets increased by approximately 16%, or \$1,699,630, 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 \$281,367, or approximately 22% 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 \$740,278 or approximately 82%. The School District's improved financial position is attributed to several years of budget efficiencies and increases in the cash reserve levy. Spending will continue to be monitored closely to insure the District's financial position remain stable.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change 2006-2007
	2007	2006	2007	2006	2007	2006	
Revenues							
Program revenues							
Charges for service and sales	\$ 880,216	\$ 795,996	\$ 208,293	\$ 215,144	\$ 1,088,509	\$ 1,011,140	7.65%
Operating grants	850,479	730,202	131,284	139,404	981,763	869,606	12.90%
Capital grants	25,000	-	-	-	25,000	-	100.00%
General revenues							
Property tax	3,763,156	3,252,690	-	-	3,763,156	3,252,690	15.69%
Sales and services tax	817,182	772,347	-	-	817,182	772,347	5.81%
Unrestricted state grants	3,369,225	3,113,517	-	-	3,369,225	3,113,517	8.21%
Contributions and donations	36,027	129,459	-	-	36,027	129,459	-72.17%
Unrestricted investment earnings	181,894	147,242	1,993	733	183,887	147,975	24.27%
Other	8,686	6,887	-	-	8,686	6,887	26.12%
Total revenues	<u>9,931,865</u>	<u>8,948,340</u>	<u>341,570</u>	<u>355,281</u>	<u>10,273,435</u>	<u>9,303,621</u>	10.42%
Program expenses							
Governmental activities							
Instruction	5,164,502	4,682,488	-	-	5,164,502	4,682,488	10.29%
Support services	2,172,521	2,118,043	-	-	2,172,521	2,118,043	2.57%
Non-instructional programs	3,686	1,202	400,761	407,896	404,447	409,098	-1.14%
Other expenses	<u>832,335</u>	<u>600,209</u>	<u>-</u>	<u>-</u>	<u>832,335</u>	<u>600,209</u>	38.67%
Total expenses	<u>8,173,044</u>	<u>7,401,942</u>	<u>400,761</u>	<u>407,896</u>	<u>8,573,805</u>	<u>7,809,838</u>	9.78%
Excess (deficiency) before transfers	1,758,821	1,546,398	(59,191)	(52,615)	1,699,630	1,493,783	13.78%
Transfers	<u>(49,310)</u>	<u>-</u>	<u>49,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.00%
Change in net assets	<u>\$ 1,709,511</u>	<u>\$ 1,546,398</u>	<u>\$ (9,881)</u>	<u>\$ (52,615)</u>	<u>\$ 1,699,630</u>	<u>\$ 1,493,783</u>	13.78%

In fiscal 2007, 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% of the revenue from business type activities.

The District's total revenues were \$10,273,435 of which \$9,931,865 was for governmental activities and \$341,570 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10% increase in revenues and a 10% 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 \$9,931,865 and expenses were \$8,173,044. 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		
	<u>2007</u>	<u>2006</u>	<u>Change</u> <u>2006-2007</u>	<u>2007</u>	<u>2006</u>	<u>Change</u> <u>2006-2007</u>
Instruction	\$ 5,164,502	\$ 4,682,488	10.3%	\$ 3,730,365	\$ 3,412,857	9.3%
Support services	2,172,521	2,118,043	2.6%	2,157,305	2,117,432	1.9%
Non-instructional programs	3,686	1,202	206.7%	3,686	1,202	206.7%
Other expenses	<u>832,335</u>	<u>600,209</u>	38.7%	<u>525,993</u>	<u>344,253</u>	52.8%
Total expenses	<u>\$ 8,173,044</u>	<u>\$ 7,401,942</u>	10.4%	<u>\$ 6,417,349</u>	<u>\$ 5,875,744</u>	9.2%

- The cost financed by users of the District's programs was \$880,216.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$875,479.
- The net cost of governmental activities was financed with \$4,580,338 in property and other taxes and \$3,369,225 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$341,570 representing a 3% decrease from the prior year and expenses were \$400,761, a 1% decrease from 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, 2007, 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 2007, 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 \$2,862,188, well above last year's ending fund balances of \$2,193,684. The primary reason for the increase in combined fund balances in fiscal 2007

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 \$905,284 to \$1,318,525. 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 Capital Projects Fund balance increased slightly from \$752,041 in fiscal 2006 to \$774,992 in fiscal 2007 due to site improvement projects being funded with excess local option sales tax.

Proprietary Fund Highlights

Propriety Fund net assets decreased from \$60,194 at June 30, 2006 to \$50,313 at June 30, 2007, representing a decrease of approximately 16%. 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 2007.

The District's revenues were \$501,508 more than budgeted revenues, a variance of 5%. The most significant variance resulted from the District receiving more in interest on the local option sales tax investments.

Total expenditures were \$585,565 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.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$10,198,242 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 1.4% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$380,183.

The original cost of the District's capital assets was \$14,980,675. Governmental funds account for \$14,811,095, with the remainder of \$169,580 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		Business Type		Total		Total
	Activities		Activities		School District		Change
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
Land	\$ 65,743	\$ 65,743	\$ -	\$ -	\$ 65,743	\$ 65,743	0.00%
Construction in progress	329,265	-	-	-	329,265	-	100.00%
Buildings and improvements	8,908,176	9,165,880	-	-	8,908,176	9,165,880	-2.81%
Improvements, other than buildings	181,103	203,951	-	-	181,103	203,951	-11.20%
Furniture and equipment	<u>660,304</u>	<u>565,512</u>	<u>53,651</u>	<u>59,172</u>	<u>713,955</u>	<u>624,684</u>	14.29%
Totals	<u>\$10,144,591</u>	<u>\$10,001,086</u>	<u>\$53,651</u>	<u>\$59,172</u>	<u>\$10,198,242</u>	<u>\$10,060,258</u>	1.37%

Long-Term Debt

At June 30, 2007, the District had \$948,625 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 33% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total		Total
	School District		Change
	<u>2007</u>	<u>2006</u>	<u>2006-</u> <u>2007</u>
General obligation bonds	\$ -	\$ 110,000	-100.00%
Revenue bonds	845,000	1,275,000	-33.73%
Compensated absences	12,975	5,196	149.71%
Early retirement	<u>90,650</u>	<u>30,142</u>	200.74%
Total	<u>\$ 948,625</u>	<u>\$ 1,420,338</u>	-33.21%

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 District continues to experience a small decline in enrollment.
- The bus replacement program will continue with replacement of one bus during 2007-08.
- The District has committed to a playground improvement project for the Spring of 2008.
- A five-year roof replacement program will begin in the summer of 2008.

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, 2007

Exhibit A

Assets	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$ 465,264	\$ -	\$ 465,264
Other	2,972,223	34,026	3,006,249
Investments	435,752	-	435,752
Receivables			
Property tax			
Delinquent	24,585	-	24,585
Succeeding year	2,749,779	-	2,749,779
Accounts receivable	18,954	-	18,954
Accrued interest			
ISCAP	3,405	-	3,405
Income surtaxes	426,282	-	426,282
Due from other governments	222,483	-	222,483
Due from other fund	43,901	-	43,901
Inventories	-	15,169	15,169
Non-depreciable capital assets	395,008	-	395,008
Capital assets, net of accumulated depreciation	<u>9,749,583</u>	<u>53,651</u>	<u>9,803,234</u>
Total assets	<u>17,507,219</u>	<u>102,846</u>	<u>17,610,065</u>
 Liabilities			
Accounts payable	220,568	-	220,568
Salaries and benefits payable	630,119	8,632	638,751
Accrued interest payable	9,979	-	9,979
Due to other fund	-	43,901	43,901
Deferred revenue			
Succeeding year property tax	2,749,779	-	2,749,779
ISCAP warrants payable	466,000	-	466,000
ISCAP accrued interest payable	115	-	115
ISCAP unamortized premium	3,458	-	3,458
Long-term liabilities			
Portion due within one year			
Revenue bonds payable	445,000	-	445,000
Early retirement payable	52,089	-	52,089
Portion due after one year			
Revenue bonds payable	400,000	-	400,000
Compensated absences	12,975	-	12,975
Early retirement payable	<u>38,561</u>	<u>-</u>	<u>38,561</u>
Total liabilities	<u>5,028,643</u>	<u>52,533</u>	<u>5,081,176</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 9,299,591	\$ 53,651	\$ 9,353,242
Restricted for			
Management levy	183,935	-	183,935
Physical plant and equipment levy	350,836	-	350,836
Debt service	54,186	-	54,186
Other special revenue purposes	170,309	-	170,309
Capital projects	774,992	-	774,992
Unrestricted	<u>1,644,727</u>	<u>(3,338)</u>	<u>1,641,389</u>
Total net assets	<u>\$12,478,576</u>	<u>\$ 50,313</u>	<u>\$12,528,889</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

<u>Functions/Programs</u> Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Primary Government</u>
Governmental activities					
Instruction					
Regular instruction	\$ 3,369,089	\$ 556,394	\$ 389,192	\$ -	\$ (2,423,503)
Special instruction	911,008	48,564	153,607	-	(708,837)
Other instruction	884,405	260,042	26,338	-	(598,025)
	5,164,502	865,000	569,137	-	(3,730,365)
Support services					
Student	153,886	-	-	-	(153,886)
Instructional staff	265,487	-	-	-	(265,487)
Administration	694,973	-	-	-	(694,973)
Operation and maintenance of plant	562,577	450	-	-	(562,127)
Transportation	495,598	14,766	-	-	(480,832)
	2,172,521	15,216	-	-	(2,157,305)
Non-instructional programs	3,686	-	-	-	(3,686)
Other expenditures					
Facilities acquisition	205,000	-	-	25,000	(180,000)
Long-term debt interest	70,725	-	-	-	(70,725)
AEA flowthrough	281,342	-	281,342	-	-
Loss on disposal of capital assets	3,931	-	-	-	(3,931)
Depreciation (unallocated) *	271,337	-	-	-	(271,337)
	832,335	-	281,342	25,000	(525,993)
Total governmental activities	8,173,044	880,216	850,479	25,000	(6,417,349)

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2007

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	Primary Government
Functions/Programs (continued)					
Primary Government (continued)					
Business type activities					
Non-instructional programs					
Food service operations	\$ 344,621	\$ 199,888	\$ 131,284	\$ -	\$ (13,449)
Preschool program	56,140	8,405	-	-	(47,735)
Total business type activities	400,761	208,293	131,284	-	(61,184)
Total	\$ 8,573,805	\$ 1,088,509	\$ 981,763	\$ 25,000	(61,184)
					(6,417,349)
					\$ (13,449)
					(47,735)
					(61,184)
					(61,184)
					(6,478,533)
General Revenues					
Property tax levied for					
General purposes	3,326,026				-
Debt service	114,435				-
Capital outlay	322,695				-
Local option sales and services tax	817,182				-
Unrestricted state grants	3,369,225				-
Contributions and donations	36,027				-
Unrestricted investment earnings	181,894			1,993	183,887
Other	8,686			-	8,686
Transfers	(49,310)			49,310	-
Total general revenues and transfers	8,126,860			51,303	8,178,163
Change in net assets	1,709,511			(9,881)	1,699,630
Net assets, beginning of year, as corrected	10,769,065			60,194	10,829,259
Net assets, end of year	\$ 12,478,576			\$ 50,313	\$ 12,528,889

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

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2007

Assets	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Cash and pooled investments				
ISCAP	\$ 465,264	\$ -	\$ -	\$ 465,264
Other	1,982,950	612,528	812,497	3,407,975
Receivables				
Property tax				
Delinquent	21,605	-	2,980	24,585
Succeeding year	2,467,023	-	282,756	2,749,779
Accounts receivable	11,535	-	7,419	18,954
Accrued interest				
ISCAP	3,405	-	-	3,405
Income surtax	335,058	-	91,224	426,282
Due from other governments	41,826	180,640	17	222,483
Due from other funds	43,901	-	-	43,901
Total assets and other debits	<u>\$5,372,567</u>	<u>\$793,168</u>	<u>\$ 1,196,893</u>	<u>\$7,362,628</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 150,337	\$ 18,176	\$ 52,055	\$ 220,568
Salaries and benefits payable	627,932	-	2,187	630,119
ISCAP warrants payable	466,000	-	-	466,000
ISCAP accrued interest payable	115	-	-	115
ISCAP unamortized premium	3,458	-	-	3,458
Deferred revenue				
Succeeding year property tax	2,467,023	-	282,756	2,749,779
Income surtax	335,058	-	91,224	426,282
Other	4,119	-	-	4,119
Total liabilities	<u>4,054,042</u>	<u>18,176</u>	<u>428,222</u>	<u>4,500,440</u>
Fund balances				
Reserved for				
Beginning Teacher Mentoring program	447	-	-	447
Teacher Quality program	868	-	-	868
Market Factor program	6,399	-	-	6,399
Phase III	520	-	-	520
Debt service	-	-	64,165	64,165
Unreserved, governmental funds	1,310,291	774,992	-	2,085,283
Unreserved, special revenue funds	-	-	704,506	704,506
Total fund balances	<u>1,318,525</u>	<u>774,992</u>	<u>768,671</u>	<u>2,862,188</u>
Total liabilities and fund balances	<u>\$5,372,567</u>	<u>\$793,168</u>	<u>\$ 1,196,893</u>	<u>\$7,362,628</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2007

Exhibit D

Total fund balances of governmental funds	\$ 2,862,188
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.	10,144,591
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	430,401
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.	(9,979)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(948,625)</u>
Net assets of governmental activities	<u><u>\$12,478,576</u></u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$2,828,887	\$817,182	\$ 505,793	\$4,151,862
Tuition	359,214	-	-	359,214
Other	153,107	59,216	531,169	743,492
State sources	4,051,171	-	309	4,051,480
Federal sources	170,416	-	25,000	195,416
Total revenues	<u>7,562,795</u>	<u>876,398</u>	<u>1,062,271</u>	<u>9,501,464</u>
Expenditures				
Current				
Instruction				
Regular	3,260,741	-	45,760	3,306,501
Special	911,008	-	-	911,008
Other	529,059	-	352,436	881,495
	<u>4,700,808</u>	<u>-</u>	<u>398,196</u>	<u>5,099,004</u>
Support services				
Student	152,731	-	1,155	153,886
Instructional staff	264,717	-	770	265,487
Administration	697,678	-	14,967	712,645
Operation and maintenance of plant	555,259	-	32,090	587,349
Transportation	456,712	-	94,692	551,404
	<u>2,127,097</u>	<u>-</u>	<u>143,674</u>	<u>2,270,771</u>
Non-instructional programs	2,528	-	1,158	3,686
Other expenditures				
Facilities acquisition	-	363,537	170,728	534,265
Long-term debt				
Principal	-	-	540,000	540,000
Interest and fiscal charges	-	-	66,113	66,113
AEA flowthrough	281,342	-	-	281,342
	<u>281,342</u>	<u>363,537</u>	<u>776,841</u>	<u>1,421,720</u>
Total expenditures	<u>7,111,775</u>	<u>363,537</u>	<u>1,319,869</u>	<u>8,795,181</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 451,020</u>	<u>\$512,861</u>	<u>\$(257,598)</u>	<u>\$ 706,283</u>
Other financing sources (uses)				
Sale of capital assets	11,531	-	-	11,531
Interfund operating transfers in	-	-	489,910	489,910
Interfund operating transfers (out)	<u>(49,310)</u>	<u>(489,910)</u>	<u>-</u>	<u>(539,220)</u>
Total other financing sources (uses)	<u>(37,779)</u>	<u>(489,910)</u>	<u>489,910</u>	<u>(37,779)</u>
Net change in fund balances	413,241	22,951	232,312	668,504
Fund balance, beginning of year, as corrected	<u>905,284</u>	<u>752,041</u>	<u>536,359</u>	<u>2,193,684</u>
Fund balance, end of year	<u>\$1,318,525</u>	<u>\$774,992</u>	<u>\$ 768,671</u>	<u>\$2,862,188</u>

See notes to financial statements.

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, 2007

Exhibit F

Net change in fund balances - total governmental funds \$ 668,504

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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$527,770	
Loss on disposal of capital assets	(15,462)	
Depreciation expense	<u>(368,803)</u>	143,505

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 430,401

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 540,000

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 governmental funds, as follows:

Early retirement	\$ (60,508)	
Compensated absences	<u>(7,779)</u>	(68,287)

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. (4,612)

Change in net assets of governmental activities \$1,709,511

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2007

Exhibit G

	<u>Nonmajor Enterprise</u>
Assets	
Cash and pooled investments	\$ 34,026
Inventories	15,169
Capital assets, net of accumulated depreciation	<u>53,651</u>
Total assets	<u>102,846</u>
 Liabilities	
Salaries and benefits payable	8,632
Due to other funds	<u>43,901</u>
Total liabilities	<u>52,533</u>
 Net Assets	
Invested in capital assets, net of related debt	53,651
Unrestricted	<u>(3,338)</u>
Total net assets	<u><u>\$ 50,313</u></u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

Exhibit H

	<u>Nonmajor Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$208,293</u>
Operating expenses	
Instruction, regular	
Regular	56,140
Support services	
Administration	19,341
Operation and maintenance of plant	1,528
Non-instructional programs	
Food service operations	<u>323,752</u>
Total operating expenses	<u>400,761</u>
Operating loss	<u>(192,468)</u>
Non-operating revenues	
Interest income	1,993
State sources	4,735
Federal sources	<u>126,549</u>
Total non-operating revenues	<u>133,277</u>
Net loss before transfers	(59,191)
Transfers in	<u>49,310</u>
Net loss	(9,881)
Net assets, beginning of year	<u>60,194</u>
Net assets, end of year	<u>\$ 50,313</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

Exhibit I

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 208,293
Cash payments to employees for services	(224,733)
Cash payments to suppliers for goods and services	<u>(147,953)</u>
Net cash used in operating activities	<u>(164,393)</u>
Cash flows from non-capital financing activities	
Operating transfers from other fund	47,106
State grants received	4,735
Federal grants received	<u>106,877</u>
Net cash provided by non-capital financing activities	<u>158,718</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(5,860)</u>
Cash flows from investing activities	
Interest on investments	<u>1,993</u>
Net decrease in cash and cash equivalents	(9,542)
Cash and cash equivalents, beginning of year	<u>43,568</u>
Cash and cash equivalents, end of year	<u><u>\$ 34,026</u></u>

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

Operating loss	\$(192,468)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	11,380
Commodities used	19,672
(Increase) in inventory	(3,688)
Increase in accrued salaries and benefits	<u>711</u>
Net cash used in operating activities	<u><u>\$(164,393)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2007, the District received \$19,672 of federal commodities.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

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. The geographic area served includes the City of Mediapolis, Iowa, and the agricultural territory in Des Moines County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 not meeting 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports no major proprietary funds. However, the District reports two nonmajor proprietary funds. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District and the Enterprise, Preschool Fund is used to account for the operation of a district-run preschool.

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 funds 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 the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than twelve 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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 years
Furniture and equipment	5-12 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 unspent grant proceeds as well as succeeding year property tax and income surtaxes 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, 2007. 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, 2007. 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 Balance - 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.

Designated Fund Balance - The District has designated a portion of its fund balance for specific programs.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$183,935 of restricted net assets which is restricted by enabling legislation.

D. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures exceeded the amount budgeted in the Other Expenditures function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$25,128

The investments are valued at an amortized cost pursuant to Rule 21-7 under the Investment Company Act of 1940.

Also at June 30, 2007, the District had \$688,442 invested with Bankers Trust Company, of which \$48 was in a money market account, \$435,752 was in a MCIA Investment maturing on 4/1/09 and \$252,642 was invested in the Goldman Sachs Financial Square Treasury Obligations Fund. The investments are valued at cost.

Credit risk. The investments in the Iowa Schools Joint Investment Trust, MCIA Investment and Goldman Sachs Financial Square Treasury Obligations Fund were all rated Aaa by Moody's Investors Service. The District places no limit on the amount that may be invested in any one issuer. The District's investment in the MCIA Investments and the Goldman Sachs Financial Square Treasury Obligations accounted for is 61% and 35%, respectively, of the District's total investments.

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Preschool Fund	\$ 43,901

The Preschool Fund had a negative reconciled bank balance at June 30, 2007. Since the Preschool Fund shares a bank account with the General Fund, this negative balance is reported as an interfund receivable/payable at June 30, 2007.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Capital Projects	Non-major governmental Debt service	\$ 489,910
General	Non-major enterprise Preschool	<u>49,310</u>
		<u>\$ 539,220</u>

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

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007, 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>
2007-08A	6/27/07	6/27/08	\$ 465,264	\$ 3,405	\$ 466,000	\$ 115	\$ 3,458

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, 2007.

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>
2006-07A	4.500%	5.6760%
2006-07B	4.250%	5.3150%
2007-08A	4.500%	5.4550%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 65,743	\$ -	\$ -	\$ 65,743
Construction in progress	-	329,265	-	329,265
Total capital assets, not being depreciated	<u>65,743</u>	<u>329,265</u>	<u>-</u>	<u>395,008</u>
Capital assets being depreciated:				
Buildings and improvements	12,481,578	-	(56,909)	12,424,669
Improvements other than buildings	611,779	-	-	611,779
Furniture and equipment	<u>1,281,643</u>	<u>198,505</u>	<u>(100,509)</u>	<u>1,379,639</u>
Total capital assets being depreciated	<u>14,375,000</u>	<u>198,505</u>	<u>(157,418)</u>	<u>14,416,087</u>
Less accumulated depreciation for:				
Buildings and improvements	3,315,698	242,242	(41,447)	3,516,493
Improvements other than buildings	407,828	22,848	-	430,676
Furniture and equipment	<u>716,131</u>	<u>103,713</u>	<u>(100,509)</u>	<u>719,335</u>
Total accumulated depreciation	<u>4,439,657</u>	<u>368,803</u>	<u>(141,956)</u>	<u>4,666,504</u>
Total capital assets being depreciated, net	<u>9,935,343</u>	<u>(170,298)</u>	<u>(15,462)</u>	<u>9,749,583</u>
Governmental activities capital assets, net	<u>\$ 10,001,086</u>	<u>\$ 158,967</u>	<u>\$ (15,462)</u>	<u>\$ 10,144,591</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 163,721	\$ 5,859	\$ -	\$ 169,580
Less accumulated depreciation	<u>104,549</u>	<u>11,380</u>	<u>-</u>	<u>115,929</u>
Business type activities capital assets, net	<u>\$ 59,172</u>	<u>\$ (5,521)</u>	<u>\$ -</u>	<u>\$ 53,651</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 2,080
Other	2,910
Support services	
Administration	5,790
Operation and maintenance of plant	5,228
Transportation	81,458
Unallocated depreciation	<u>271,337</u>
Total governmental activities depreciation expense	<u>\$ 368,803</u>

Business type activities

Food services \$ 11,380

Note 7. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 110,000	\$ -	\$(110,000)	\$ -	\$ -
Revenue bonds	1,275,000	-	(430,000)	845,000	445,000
Compensated absences	5,196	12,975	(5,196)	12,975	-
Early retirement	<u>30,142</u>	<u>79,618</u>	<u>(19,110)</u>	<u>90,650</u>	<u>52,089</u>
Totals	<u>\$ 1,420,338</u>	<u>\$ 92,593</u>	<u>\$(564,306)</u>	<u>\$ 948,625</u>	<u>\$ 497,089</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, 2007 totaled \$19,110.

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 are payable solely from the collection of the local option sales and services tax for school infrastructure. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

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 are deposited. Interest and principal on the bonds are paid from the Sinking Fund. Details of the District's June 30, 2007 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>
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>\$ 845,000</u>	<u>\$ 58,916</u>	<u>\$ 903,916</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.

Interest costs incurred and charged to expense on all long-term debt was \$64,212 for the year ended June 30, 2007.

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, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$270,038, \$252,592, and \$236,652 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 \$281,342 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Correction of Beginning Balances

During the year ended June 30, 2007, the District discovered errors relating to the fund balance reported for the prior fiscal year in the General Fund. Therefore, the beginning balance of that fund has been corrected as follows:

General Fund	Decreased	\$52,939
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The beginning balance in the governmental activities in the government-wide Statement of Activities was also affected by this error, resulting in a corresponding decrease to the beginning net assets of \$52,939.

Note 12. Deficit Fund Balance

At June 30, 2007, the District had negative unrestricted net assets of \$51,033 in the Preschool Fund.

Note 13. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2007, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

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, 2007

	Governmental Funds		Proprietary Funds	Total	Budgeted Amounts		Final to Actual Variance
	Actual		Actual	Actual	Original	Final	
Revenues							
Local sources	\$5,254,568	\$210,286	\$5,464,854	\$4,956,699	\$4,956,699	\$4,956,699	\$ 508,155
State sources	4,051,480	4,735	4,056,215	4,069,413	4,069,413	4,069,413	(13,198)
Federal sources	195,416	126,549	321,965	315,414	315,414	315,414	6,551
Total revenues	<u>9,501,464</u>	<u>341,570</u>	<u>9,843,034</u>	<u>9,341,526</u>	<u>9,341,526</u>	<u>9,341,526</u>	<u>501,508</u>
Expenditures							
Instruction	5,099,004	56,140	5,155,144	5,365,560	5,365,560	5,365,560	210,416
Support services	2,270,771	20,869	2,291,640	2,684,072	2,684,072	2,684,072	392,432
Non-instructional programs	3,686	323,752	327,438	363,800	363,800	363,800	36,362
Other expenditures	1,421,720	-	1,421,720	1,368,075	1,368,075	1,368,075	(53,645)
Total expenditures	<u>8,795,181</u>	<u>400,761</u>	<u>9,195,942</u>	<u>9,781,507</u>	<u>9,781,507</u>	<u>9,781,507</u>	<u>585,565</u>
Excess (deficiency) of revenues over (under) expenditures	706,283	(59,191)	647,092	(439,981)	(439,981)	(439,981)	1,087,073
Net other financing sources	(37,779)	49,310	11,531	-	-	-	11,531
Net change in fund balance	668,504	(9,881)	658,623	(439,981)	(439,981)	(439,981)	1,098,604
Balance, beginning of year, as corrected	<u>2,193,684</u>	<u>60,194</u>	<u>2,253,878</u>	<u>1,569,507</u>	<u>1,569,507</u>	<u>1,569,507</u>	<u>684,371</u>
Balance, end of year	<u>\$2,862,188</u>	<u>\$ 50,313</u>	<u>\$2,912,501</u>	<u>\$1,129,526</u>	<u>\$1,129,526</u>	<u>\$1,129,526</u>	<u>\$1,782,975</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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. 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

During the year ended June 30, 2007, District expenditures exceeded the amount budgeted in the Other Expenditures function; however, General Fund expenditures did not exceed the District's unspent authorized budget.

Other Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

Schedule 1

	Special Revenue				
	Management	Student	Physical Plant and Equipment	Debt	Total
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 272,759	\$ 187,755	\$ 288,680	\$ 63,303	\$ 812,497
Receivables					
Property tax					
Current year delinquent	1,207	-	914	859	2,980
Succeeding year	160,000	-	122,756	-	282,756
Accounts receivable	625	6,794	-	-	7,419
Income surtax	-	-	91,224	-	91,224
Due from other governments	11	-	3	3	17
Total assets	<u>\$ 434,602</u>	<u>\$ 194,549</u>	<u>\$ 503,577</u>	<u>\$ 64,165</u>	<u>\$ 1,196,893</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 17	\$ 22,053	\$ 29,985	\$ -	\$ 52,055
Salaries and benefits payable	-	2,187	-	-	2,187
Deferred revenue					
Succeeding year property tax	160,000	-	122,756	-	282,756
Income surtax	-	-	91,224	-	91,224
Total liabilities	<u>160,017</u>	<u>24,240</u>	<u>243,965</u>	<u>-</u>	<u>428,222</u>
Fund balances					
Reserved for debt service	-	-	-	64,165	64,165
Unreserved fund balances	274,585	170,309	259,612	-	704,506
Total fund balances	<u>274,585</u>	<u>170,309</u>	<u>259,612</u>	<u>64,165</u>	<u>768,671</u>
Total liabilities and fund balances	<u>\$ 434,602</u>	<u>\$ 194,549</u>	<u>\$ 503,577</u>	<u>\$ 64,165</u>	<u>\$ 1,196,893</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

Schedule 2

Revenues	Special Revenue				Total
	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Debt <u>Service</u>	
Local sources					
Local taxes	\$160,071	\$ -	\$231,376	\$114,346	\$ 505,793
Other	139,768	375,101	12,197	4,103	531,169
State sources	125	-	95	89	309
Federal sources	-	-	25,000	-	25,000
Total revenues	299,964	375,101	268,668	118,538	1,062,271
Expenditures					
Current					
Instruction					
Regular	45,760	-	-	-	45,760
Other	-	352,436	-	-	352,436
Total instruction	45,760	352,436	-	-	398,196
Support services					
Student	1,155	-	-	-	1,155
Instructional staff	770	-	-	-	770
Administration	14,572	395	-	-	14,967
Operation and maintenance of plant	32,090	-	-	-	32,090
Transportation	29,750	-	64,942	-	94,692
Total support services	78,337	395	64,942	-	143,674
Non-instructional programs	1,158	-	-	-	1,158
Other expenditures					
Facilities acquisition	-	-	170,728	-	170,728
Long-term debt					
Principal	-	-	-	540,000	540,000
Interest and fiscal charges	-	-	-	66,113	66,113
Total other expenditures	-	-	170,728	606,113	776,841
Total expenditures	125,255	352,831	235,670	606,113	1,319,869
Excess (deficiency) of revenues over (under) expenditures	174,709	22,270	32,998	(487,575)	(257,598)
Other financing sources					
Interfund operating transfers in	-	-	-	489,910	489,910
Net change in fund balances	174,709	22,270	32,998	2,335	232,312
Fund balances, beginning of year	99,876	148,039	226,614	61,830	536,359
Fund balances, end of year	\$274,585	\$170,309	\$259,612	\$ 64,165	\$ 768,671

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2007

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 34,026	\$ -	\$ 34,026
Inventories	15,169	-	15,169
Capital assets, net of accumulated depreciation	<u>53,651</u>	<u>-</u>	<u>53,651</u>
Total assets	<u>102,846</u>	<u>-</u>	<u>102,846</u>
Liabilities			
Salaries and benefits payable	1,500	7,132	8,632
Due to other funds	<u>-</u>	<u>43,901</u>	<u>43,901</u>
Total liabilities	<u>1,500</u>	<u>51,033</u>	<u>52,533</u>
Net Assets			
Invested in capital assets	53,651	-	53,651
Unrestricted	<u>47,695</u>	<u>(51,033)</u>	<u>(3,338)</u>
Total net assets	<u>\$101,346</u>	<u>\$(51,033)</u>	<u>\$ 50,313</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, 2007

Schedule 4

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
Operating revenue			
Local sources			
Charges for service	\$ 199,888	\$ 8,405	\$ 208,293
Operating expenses			
Instruction			
Regular			
Salaries	-	39,043	39,043
Benefits	-	16,410	16,410
Supplies	-	687	687
	<u>-</u>	<u>56,140</u>	<u>56,140</u>
Support services			
Administration			
Salaries	9,404	-	9,404
Benefits	9,189	-	9,189
Purchased services	748	-	748
	<u>19,341</u>	<u>-</u>	<u>19,341</u>
Operation and maintenance of plant			
Purchased services	<u>1,528</u>	<u>-</u>	<u>1,528</u>
Non-instructional programs			
Food service operations			
Salaries	108,254	-	108,254
Benefits	43,144	-	43,144
Purchased services	893	-	893
Supplies	160,081	-	160,081
Depreciation	11,380	-	11,380
	<u>323,752</u>	<u>-</u>	<u>323,752</u>
Total operating expenses	<u>344,621</u>	<u>56,140</u>	<u>400,761</u>
Operating loss	<u>(144,733)</u>	<u>(47,735)</u>	<u>(192,468)</u>
Non-operating revenue			
Interest income	1,993	-	1,993
State sources	4,735	-	4,735
Federal sources	126,549	-	126,549
Total non-operating revenue	<u>133,277</u>	<u>-</u>	<u>133,277</u>
Net loss before transfers	(11,456)	(47,735)	(59,191)
Transfers in	-	49,310	49,310
Net income (loss)	(11,456)	1,575	(9,881)
Net assets, beginning of year	112,802	(52,608)	60,194
Net assets, end of year	<u>\$ 101,346</u>	<u>\$ (51,033)</u>	<u>\$ 50,313</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, 2007

Schedule 5

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
Cash flows from operating activities			
Cash received from sale of services	\$ 199,888	\$ 8,405	\$ 208,293
Cash payments to employees for services	(169,909)	(54,824)	(224,733)
Cash payments to suppliers for goods and services	<u>(147,266)</u>	<u>(687)</u>	<u>(147,953)</u>
Net cash used in operating activities	<u>(117,287)</u>	<u>(47,106)</u>	<u>(164,393)</u>
 Cash flows from non-capital financing activities			
Operating transfers from other fund	-	47,106	47,106
State grants received	4,735	-	4,735
Federal grants received	<u>106,877</u>	<u>-</u>	<u>106,877</u>
Net cash provided by non-capital financing activities	<u>111,612</u>	<u>47,106</u>	<u>158,718</u>
 Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(5,860)</u>	<u>-</u>	<u>(5,860)</u>
 Cash flows from investing activities			
Interest on investments	<u>1,993</u>	<u>-</u>	<u>1,993</u>
Net decrease in cash and cash equivalents	(9,542)	-	(9,542)
Cash and cash equivalents, beginning of year	<u>43,568</u>	<u>-</u>	<u>43,568</u>
 Cash and cash equivalents, end of year	<u>\$ 34,026</u>	<u>\$ -</u>	<u>\$ 34,026</u>
 Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$(144,733)	\$(47,735)	\$(192,468)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	11,380	-	11,380
Commodities used	19,672	-	19,672
(Increase) in inventory	(3,688)	-	(3,688)
Increase in accrued salaries and benefits	82	629	711
Net cash used in operating activities	<u>\$(117,287)</u>	<u>\$(47,106)</u>	<u>\$(164,393)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$19,672 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, 2007

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance, End of Year
Athletics	\$ 49,178	\$ 53,560	\$ 36,819	\$ (12,442)	\$ 53,477
Middle school athletics	10,105	10,288	17,371	5,982	9,004
Beverage contract	6,499	4,300	3,438	3,964	11,325
Cheerleaders	704	7,039	4,196	(186)	3,361
Concessions	16,236	55,407	54,125	(4,814)	12,704
FFA	4,698	27,743	21,955	660	11,146
FFA Tractor Restoration	1,327	-	118	-	1,209
FFA Scholarship	907	-	550	(7)	350
FCCLA	1,128	1,702	1,783	18	1,065
Band	10,672	8,903	9,712	(524)	9,339
High school band resale	(2,283)	-	-	-	(2,283)
High school student council	6,659	15,878	13,282	231	9,486
Vocal music	448	1,703	1,664	1,981	2,468
National Honor Society	3,301	2,054	1,199	(862)	3,294
NHS Scholarships	-	500	500	-	-
Science club	374	-	-	(374)	-
Spanish club	18	-	-	(18)	-
Thespians	1,574	1,511	790	-	2,295
Yearbook	2,180	3,862	2,950	34	3,126
Econ	-	115	115	-	-
Business Professionals of America	4,064	2,243	15	29	6,321
Art club	2,323	345	806	-	1,862
SEEDS	373	-	-	-	373
High school account	3,215	308	2,348	207	1,382
Class of:					
2006	76	-	-	(76)	-
2007	1,147	322	1,103	(83)	283
2008	391	3,369	2,918	-	842
2009	174	156	-	-	330
2010	-	192	-	-	192
Middle school band	2,557	68	1,191	-	1,434
Middle school student council	1,481	2,840	3,175	442	1,588

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, 2007

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intra-Fund <u>Transfers</u>	Balance, End of Year
Middle school account	\$ 746	\$ 614	\$ 875	\$ (458)	\$ 27
Middle school student store	1,346	-	-	-	1,346
Middle school fundraiser	7,686	8,721	5,108	(1,953)	9,346
Middle school athletics	24	-	-	(24)	-
Middle School scholarship	683	-	-	-	683
Bulldog Bities Restaurant	197	462	503	-	156
Elementary	1,553	1,889	1,309	(94)	2,039
Elementary art	2,772	991	2,410	(138)	1,215
Interest	<u>3,506</u>	<u>158,016</u>	<u>160,503</u>	<u>8,505</u>	<u>9,524</u>
Totals	<u>\$ 148,039</u>	<u>\$ 375,101</u>	<u>\$ 352,831</u>	<u>\$ -</u>	<u>\$ 170,309</u>

See accompanying Independent Auditor's Report.

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

Schedule 7

	Modified Accrual Basis			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues				
Local sources				
Local tax	\$4,151,862	\$4,022,781	\$3,973,148	\$4,048,951
Tuition	359,214	436,494	377,139	334,362
Other	743,492	642,149	455,373	486,340
State sources	4,051,480	3,666,552	3,641,209	3,451,503
Federal sources	195,416	175,681	232,064	174,926
Total revenues	<u>\$9,501,464</u>	<u>\$8,943,657</u>	<u>\$8,678,933</u>	<u>\$8,496,082</u>
Expenditures				
Current				
Instruction				
Regular	\$3,306,501	\$3,003,657	\$3,061,212	\$3,042,636
Special	911,008	915,070	845,138	860,062
Other	881,495	791,476	586,163	597,539
Support services				
Student	153,886	176,456	176,336	165,572
Instructional staff	265,487	298,285	95,705	149,222
Administration	712,645	649,963	765,701	798,523
Operation and maintenance of plant	587,349	504,097	444,312	479,432
Transportation	551,404	593,651	495,752	443,243
Central support services				70
Non-instructional programs	3,686	1,202	3,396	3,187
Other expenditures				
Facilities acquisition	534,265	586,718	426,644	101,192
Long-term debt				
Principal	540,000	845,000	820,000	785,000
Interest and other charges	66,113	100,133	129,191	163,713
AEA flowthrough	281,342	255,956	253,380	257,247
Total expenditures	<u>\$8,795,181</u>	<u>\$8,721,664</u>	<u>\$8,102,930</u>	<u>\$7,846,638</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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated April 29, 2008. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Mediapolis Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Mediapolis Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mediapolis Community School District's ability to initiate, authorize, record process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Mediapolis Community School District's financial

statements that is more than inconsequential will not be prevented or detected by Mediapolis Community School District's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Mediapolis Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items A, B and C are material weaknesses.

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, 2007 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.

Mediapolis Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions in the District's responses, I did not audit Mediapolis Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mediapolis Community School District and other parties to whom Mediapolis Community School 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.

A handwritten signature in cursive script that reads "Kay L. Chapman, CPA PC".

Kay L. Chapman, CPA PC
April 29, 2008

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

- 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. Financial Reporting - Reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires the business manager or district management to possess sufficient knowledge and expertise to select and apply appropriate accounting principles and prepare year-end financial statements, including footnote disclosures. Although the business manager has a good working knowledge of GAAP accounting, she does not have current comprehensive knowledge of the footnote disclosure requirements of GAAP financial statements. In essence, this means that the business manager would not necessarily detect a misstatement (error) in the financial statements or footnote disclosures, including omitted required disclosures, in the financial statements prepared by the auditor. This is a common situation in small entities where accounting personnel typically either do not have four-year accounting degrees and/or do not receive annual training in order to stay current on new accounting and reporting standards and requirements. However, the business manager is quite capable of performing her day-to-day duties and the CAR in compliance with the Department of Education requirements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Recommendation - Although the business manager attends trainings each year to keep current on various accounting changes affecting schools, this training does not cover information about the footnote disclosures required by GAAP. The district should consider having the business manager take courses annually to stay current on the changes to GAAP accounting, reporting and disclosure requirements so that she is able to prepare the year-end financial statements and footnote disclosures.

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosures in compliance with GAAP, as prepared by the auditor. We will investigate alternatives to our controls, but believe that it would not be an efficient use of District funds to get the necessary training for the business manager to comply with this recommendation.

Conclusion - Response accepted.

- C. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The CAR omitted the retainage payable on construction contracts. This misstatement were subsequently corrected before the final CAR was filed with the Iowa Department of Education.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide some oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

- D. Signature Cards - I noted that the signature cards on file at the banks did not contain properly authorized personnel as the authorized signatures on the FFA account and School Nutrition Fund account. The Student Activity Fund secretary and high school principal are authorized signatures on the bank signature card for the FFA account and the head cook is an authorized signature on the bank signature card of the School Nutrition Fund. However, the District has not properly authorized any of these individuals to sign checks on behalf of the board president. The Code of Iowa states that

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

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, high school principal and head cook authorized to sign checks, they should adopt a resolution stating such. Until the board adopts such a resolution, these individuals should be removed from the bank signature cards.

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, 2007 exceeded the amount budgeted in the Other Expenditures function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will amend our certified budget, if necessary, in the future in accordance with the Code of Iowa.

Conclusion - Response accepted.

2. Questionable Expenditures - I noted no expenditures 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, 2007

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 official minutes were not signed by the Board President and Board Secretary.

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. The Board President and Board Secretary should sign the official minutes, once they have been approved by the Board.

Response - We will submit the minutes to the newspaper within two weeks of the board meeting in compliance with the Code of Iowa and have the Board President and Board Secretary sign the minutes upon approval.

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.
10. Deficit Balance - The District had unreserved deficit in the Preschool Fund of \$51,033 at June 30, 2007.

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, 2007

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant