

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
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MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 Election)		
Bonnie Nisly	Board President	2008
Dave Skaden	Board Member	2006
Fred Lampe	Board Member	2006
Patti Stutzman	Board Member	2007
Julie Miller	Board Member	2007
Randy Billups	Board Member	2008
James Hussey	Board Member	2008
(After September 2006 Election)		
James Hussey	Board President	2008
Patti Stutzman	Board Member	2007
Julie Miller	Board Member	2007
Randy Billups	Board Member	2008
Bonnie Nisly	Board Member	2008
Jack Dillon	Board Member	2009
Fred Lampe	Board Member	2009
School Officials		
Mark Schneider	Superintendent	2007
Douglas Slaubaugh	District Secretary	2007
Joseph Holland	Attorney	2007

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Mid-Prairie Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Mid-Prairie Community School District, Wellman, Iowa, as of and for the year ended June 30, 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.

Except as discussed in the following paragraph, 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.

The financial statements of the Mid-Prairie Community School District Foundation have not been audited, and I was not engaged to audit the Foundation financial statements as part of my audit of the Mid-Prairie Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because I was not engaged to audit the Foundation's financial statements and because I did not apply any auditing procedures to the Foundation's financial statements, I do not express an opinion on the discretely presented component unit.

Because the Foundation's financial statements have not been audited, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the discretely presented component unit of the Mid-Prairie Community School District, as of and for the year ended June 30, 2007.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Mid-Prairie Community School District as of June 30, 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 January 23, 2008 on my consideration of Mid-Prairie Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mid-Prairie 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. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is also not a required part of the basic financial statements of Mid-Prairie Community School District. Schedules 1 through 6 and the Schedule of Federal Awards have been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, are 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 and general purpose financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mid-Prairie Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$9,406,109 in fiscal 2006 to \$10,359,065 in fiscal 2007, and General Fund expenditures increased from \$9,800,003 in fiscal 2006 to \$10,430,465 in fiscal 2007. The District's General Fund balance decreased from \$610,194 in fiscal 2006 to \$542,044 in fiscal 2007, an 11% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenues in fiscal 2007. This was the first year of a three year Federal Arabic Grant and the district received \$156,668 this year. The district also received \$36,906 from the Riverside Casino Foundation. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, restricted grant expenditures, textbook purchases, and technology related expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2007. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- Interest earnings in the General Fund increased from \$68,425 in fiscal 2006 to \$99,345 in fiscal 2007.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

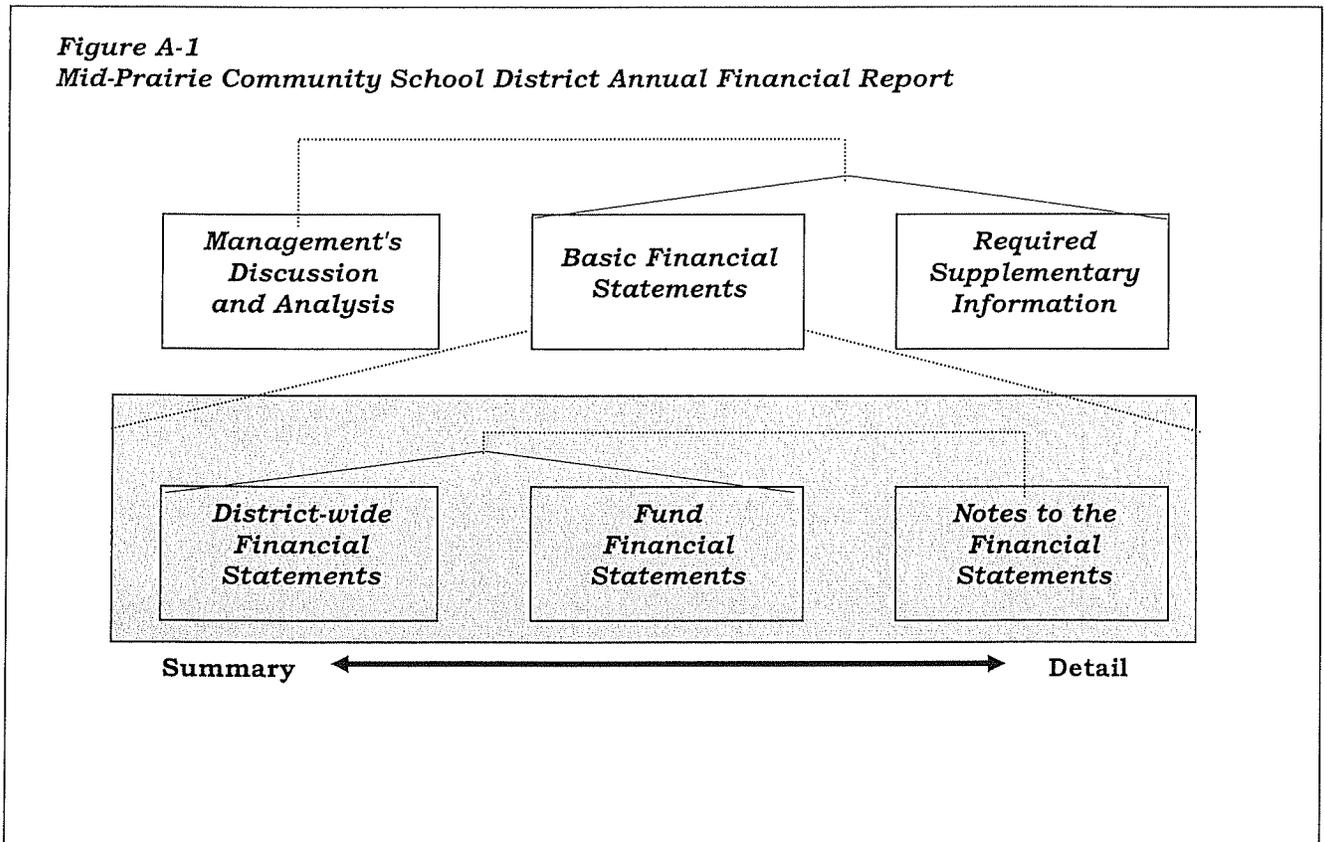


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide	Fund Statements	
	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
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• 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 and latchkey daycare programs are included here.
- *Component Unit:* The component unit includes the activities of the Tipton Community School District Foundation. The District is financially accountable for the Foundation although it is legally separate from the District.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$ 7,542,758	\$ 6,716,958	\$ 71,890	\$ 46,393	\$ 7,614,648	\$ 6,763,351	12.59%
Capital assets	<u>5,329,995</u>	<u>5,604,220</u>	<u>32,667</u>	<u>29,161</u>	<u>5,362,662</u>	<u>5,633,381</u>	-4.81%
Total assets	<u>12,872,753</u>	<u>12,321,178</u>	<u>104,557</u>	<u>75,554</u>	<u>12,977,310</u>	<u>12,396,732</u>	4.68%
Long-term obligations	3,356,600	3,724,908	-	-	3,356,600	3,724,908	-9.89%
Other liabilities	<u>5,183,402</u>	<u>4,921,028</u>	<u>23,247</u>	-	<u>5,206,649</u>	<u>4,921,028</u>	5.80%
Total liabilities	<u>8,540,002</u>	<u>8,645,936</u>	<u>23,247</u>	-	<u>8,563,249</u>	<u>8,645,936</u>	-0.96%
Net assets							
Invested in capital assets, net of related debt	2,104,995	2,084,220	32,667	29,161	2,137,662	2,113,381	1.15%
Restricted	1,685,712	1,023,515	-	-	1,685,712	1,023,515	64.70%
Unrestricted	<u>542,044</u>	<u>567,507</u>	<u>48,643</u>	<u>46,393</u>	<u>590,687</u>	<u>613,900</u>	-3.78%
Total net assets	<u>\$ 4,332,751</u>	<u>\$ 3,675,242</u>	<u>\$ 81,310</u>	<u>\$ 75,554</u>	<u>\$ 4,414,061</u>	<u>\$ 3,750,796</u>	17.68%

The District's combined net assets increased by approximately 18%, or \$663,265, from 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 \$662,197, or approximately 65% over the prior year. The increase was primarily a result of unspent Local Option Sales Tax revenues that will be used to fund future infrastructure needs.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$23,213, or approximately 4%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

Figure A-4

	Change in Net Assets						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-</u> <u>2007</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 1,394,152	\$ 1,150,413	\$ 291,559	\$ 286,823	\$ 1,685,711	\$ 1,437,236	17.29%
Operating grants and contributions	1,591,054	1,251,302	179,594	166,939	1,770,648	1,418,241	24.85%
General revenues							
Property tax	4,463,057	3,968,870	-	-	4,463,057	3,968,870	12.45%
Local option sales and services tax	661,203	489,232	-	-	661,203	489,232	35.15%
Unrestricted state grants	4,534,682	4,308,558	-	-	4,534,682	4,308,558	5.25%
Unrestricted investment earnings	117,202	87,890	673	1,304	117,875	89,194	32.16%
Contributions and donations	-	753	-	-	-	753	-100.00%
Other	<u>18,772</u>	<u>13,579</u>	<u>-</u>	<u>-</u>	<u>18,772</u>	<u>13,579</u>	<u>38.24%</u>
Total revenues	<u>12,780,122</u>	<u>11,270,597</u>	<u>471,826</u>	<u>455,066</u>	<u>13,251,948</u>	<u>11,725,663</u>	<u>13.02%</u>
Program expenses							
Governmental activities							
Instruction	7,787,462	7,188,797	-	-	7,787,462	7,188,797	8.33%
Support services	2,993,108	2,972,573	-	-	2,993,108	2,972,573	0.69%
Non-instructional programs	-	-	474,125	458,946	474,125	458,946	3.31%
Other expenses	<u>1,333,988</u>	<u>1,151,459</u>	<u>-</u>	<u>-</u>	<u>1,333,988</u>	<u>1,151,459</u>	<u>15.85%</u>
Total expenses	<u>12,114,558</u>	<u>11,312,829</u>	<u>474,125</u>	<u>458,946</u>	<u>12,588,683</u>	<u>11,771,775</u>	<u>6.94%</u>
Change in net assets before transfers	665,564	(42,232)	(2,299)	(3,880)	663,265	(46,112)	1538.38%
Transfers	<u>(8,055)</u>	<u>(2,649)</u>	<u>8,055</u>	<u>2,649</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>
Change in net assets	<u>\$ 657,509</u>	<u>\$ (44,881)</u>	<u>\$ 5,756</u>	<u>\$ (1,231)</u>	<u>\$ 663,265</u>	<u>\$ (46,112)</u>	<u>1538.38%</u>

In fiscal 2007, property tax and unrestricted state grants account for approximately 67% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for approximately 99% of the revenue from business type activities.

The District's total revenues were \$13,251,948 of which \$12,780,122 was for governmental activities and \$471,826 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 13% increase in revenues and a 7% increase in expenses. Property tax increased \$494,187 to fund increases in expenses. The increase in expenses related to increases in the negotiated salary and benefits, textbook purchases, utility increases, technology related expenses as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$12,780,122 and expenses were \$12,114,558.

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		
	2007	2006	Change 2006- 2007	2007	2006	Change 2006- 2007
Instruction	\$ 7,787,462	\$ 7,188,797	8.3%	\$ 5,314,098	\$ 5,280,736	0.6%
Support services	2,993,108	2,972,573	0.7%	2,908,665	2,869,380	1.4%
Non-instructional programs	-	-	0.0%	(30,263)	(25,618)	18.1%
Other expenses	<u>1,333,988</u>	<u>1,151,459</u>	15.9%	<u>936,852</u>	<u>786,616</u>	19.1%
Total expenses	<u>\$ 12,114,558</u>	<u>\$ 11,312,829</u>	7.1%	<u>\$ 9,129,352</u>	<u>\$ 8,911,114</u>	2.4%

- The cost financed by users of the District's programs was \$1,394,152.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,591,054.
- The net cost of governmental activities was financed with \$4,463,057 in property taxes and \$4,534,682 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$471,826 representing a 3% increase over the prior year while expenses were \$474,125, a 3% increase over the prior year. The District's business type activities include the School Nutrition Fund and Latchkey Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2007, the District increased meal prices by five cents per meal. This increase resulted in increased revenue to the School Nutrition Fund which the District used to fund increases in salaries and benefits.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,108,385, well above last year's ending fund balance of \$1,807,555. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to carry over fund balance of the Capital Projects Fund which increased from \$582,563 in 2006 to \$1,057,232 in 2007. Some of the carry over will be used to fund the paving project at the High School.

Governmental Fund Highlights

- The increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$610,194 in 2006 to \$542,044 in 2007, due in part to the negotiated salary and benefits settlement and existing expenditure commitments of the District. The district still maintains a solvency ratio in the acceptable range, but has set a goal to increase the fund balance in future years.
- The Capital Projects Fund balance increased from \$582,563 in 2006 to \$1,057,232 in 2007 due to continued collection of revenue from the local option sales and services tax, which will be used to fund future infrastructure needs. The district started to receive revenues from Johnson County in 2007.

- **Proprietary Fund Highlights**

Enterprise Fund net assets increased from \$75,554 at June 30, 2006 to \$81,310 at June 30, 2007, representing an increase of approximately 7%. The net asset increase was attributed to the District increasing meal prices by 5 cents to offset increases in salaries and benefits and increases in the number of free and reduced student meals served.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mid-Prairie Community School District amended its annual budget one time to reflect additional disbursements associated with salaries and benefits, utilities, fuel and repairs.

The District's revenues were \$839,888 less than budgeted revenues, a variance of approximately 6%. The most significant variance resulted from the District receiving less in property tax, local option tax and tuition than budgeted.

Total expenditures were \$765,820 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$5,362,662, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 8% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$436,696.

The original cost of the District's capital assets was \$13,697,304. Governmental funds account for \$13,596,528, with the remainder of \$100,776 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred due to the purchase of a 2004 Olds Alero for \$7,500 and two 2008 Bluebird Busses for \$141,710 all purchased from the PPEL Fund.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	<u>2006-</u> <u>2007</u>
Land	\$ 127,851	\$ 127,851	\$ -	\$ -	\$ 127,851	\$ 127,851	0.00%
Buildings and improvements	4,840,978	5,120,591	-	-	4,840,978	5,120,591	-5.46%
Improvements, other than buildings	-	17,745	-	-	-	17,745	-100.00%
Furniture and equipment	<u>361,166</u>	<u>338,033</u>	<u>32,667</u>	<u>29,161</u>	<u>393,833</u>	<u>367,194</u>	7.25%
Totals	<u>\$5,329,995</u>	<u>\$5,604,220</u>	<u>\$32,667</u>	<u>\$29,161</u>	<u>\$5,362,662</u>	<u>\$5,633,381</u>	-4.81%

Long-Term Debt

At June 30, 2007, the District had \$3,356,600 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 10% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7

	Outstanding Long-term Obligations		
	Total School District		Total Change
	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
General obligation bonds	\$ 3,225,000	\$ 3,520,000	-8.38%
Early retirement	<u>131,600</u>	<u>204,908</u>	-35.78%
Total	<u>\$ 3,356,600</u>	<u>\$ 3,724,908</u>	-9.89%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Local Option Sales Tax was approved and revenues which began in January, 2006. The Board will retain some of the revenues for capital purchases from LOST and use some for property tax relief.
- The district property tax levy rate is one of the lowest in the area. With the increased value of farmland, the property tax valuation in the district should remain stable for the next few years. The Board is considering an instructional support levy for 2009 to put the district in a better financial position.
- The settlement of staff salaries and benefits will use almost all of the allowable growth for 2008. The district may have to use its reserves to fund additional expenditures for employee costs, fuel, and utility increases.
- The budget enrollment for the 2008 budget year decreased from 1,269.4 students to 1,236.9 students.

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

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

Basic Financial Statements

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	Governmental Activities	Business Type Activities	Total	Component Unit Foundation
Assets				
Cash and cash equivalents	\$2,892,914	\$ 66,029	\$2,958,943	\$ 51,979
Investments	-	-	-	131,143
Property tax				
Delinquent	52,941	-	52,941	-
Succeeding year	4,042,275	-	4,042,275	-
Accounts receivable	-	-	-	-
Income surtax	261,781	-	261,781	-
Due from other governments	292,847	-	292,847	-
Deposit	-	-	-	650
Inventories	-	5,861	5,861	-
Non-depreciable capital assets	127,851	-	127,851	-
Capital assets, net of accumulated depreciation	5,202,144	32,667	5,234,811	-
Total assets	<u>12,872,753</u>	<u>104,557</u>	<u>12,977,310</u>	<u>183,772</u>
Liabilities				
Accounts payable	98,225	-	98,225	500
Salaries and benefits payable	966,958	23,247	990,205	-
Accrued interest payable	10,810	-	10,810	-
Deferred revenue				
Succeeding year property tax	4,042,275	-	4,042,275	-
Other	65,134	-	65,134	-
Long-term liabilities				
Portion due within one year				
General obligation bonds payable	305,000	-	305,000	-
Early retirement payable	51,292	-	51,292	-
Portion due after one year				
General obligation bonds payable	2,920,000	-	2,920,000	-
Early retirement payable	80,308	-	80,308	-
Total liabilities	<u>8,540,002</u>	<u>23,247</u>	<u>8,563,249</u>	<u>500</u>

See notes to financial statements.

MID-PRAIRIE 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>	<u>Component</u> <u>Unit</u> <u>Foundation</u>
Net Assets				
Invested in capital assets, net of related debt	\$2,104,995	\$ 32,667	\$2,137,662	\$ -
Restricted for				
Management levy	64,682	-	64,682	-
Physical plant and equipment levy	475,990	-	475,990	-
Debt service	43,101	-	43,101	-
Other special revenue purposes	44,707	-	44,707	-
Capital projects	1,057,232	-	1,057,232	-
Donor- approved programs	-	-	-	174,243
Unrestricted	542,044	48,643	590,687	9,029
Total net assets	<u>\$4,332,751</u>	<u>\$ 81,310</u>	<u>\$4,414,061</u>	<u>\$ 183,272</u>

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2007

Functions/Programs Primary Government	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		
					Governmental Activities	Business Type Activities	
Governmental activities							
Instruction							
Regular instruction	\$ 5,342,688	\$ 1,214,431	\$ 728,817	\$ -	\$ (3,399,440)	\$ -	\$ (3,399,440)
Special instruction	1,427,956	124,226	369,680	-	(934,050)	-	(934,050)
Other instruction	1,016,818	3,593	32,617	-	(980,608)	-	(980,608)
	<u>7,787,462</u>	<u>1,342,250</u>	<u>1,131,114</u>	<u>-</u>	<u>(5,314,098)</u>	<u>-</u>	<u>(5,314,098)</u>
Support services							
Student	205,463	-	-	-	(205,463)	-	(205,463)
Instructional staff	418,258	-	-	-	(418,258)	-	(418,258)
Administration	915,715	-	-	-	(915,715)	-	(915,715)
Operation and maintenance of	895,077	5,450	20,873	-	(868,754)	-	(868,754)
Transportation	558,595	16,189	41,931	-	(500,475)	-	(500,475)
	<u>2,993,108</u>	<u>21,639</u>	<u>62,804</u>	<u>-</u>	<u>(2,908,665)</u>	<u>-</u>	<u>(2,908,665)</u>
Non-instructional programs	-	30,263	-	-	30,263	-	30,263
Other expenditures							
Facilities acquisition	502,881	-	-	-	(502,881)	-	(502,881)
Long-term debt interest	136,613	-	-	-	(136,613)	-	(136,613)
AEA flowthrough	397,136	-	397,136	-	-	-	-
Depreciation (unallocated) *	297,358	-	-	-	(297,358)	-	(297,358)
	<u>1,333,988</u>	<u>-</u>	<u>397,136</u>	<u>-</u>	<u>(936,852)</u>	<u>-</u>	<u>(936,852)</u>
Total governmental activities	<u>12,114,558</u>	<u>1,394,152</u>	<u>1,591,054</u>	<u>-</u>	<u>(9,129,352)</u>	<u>-</u>	<u>(9,129,352)</u>

See notes to financial statements.

MID-PRAIRIE 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		Component Unit
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government Activities	Total	
<u>Functions/Programs (continued)</u>						
Primary Government (continued)						
Business type activities						
Non-instructional programs						
Food service operations	\$ 455,576	\$ 179,594	\$ -	\$ (2,958)	\$ (2,958)	
Latchkey/daycare program	18,549	-	-	(14)	(14)	
Total business type activities	474,125	179,594	-	(2,972)	(2,972)	
Total primary government	\$ 12,588,683	\$ 1,770,648	\$ -	(2,972)	(9,132,324)	
Component Unit						
Foundation	\$ 37,162	\$ -	\$ -	-	-	\$ (37,162)
<u>General Revenues</u>						
Property tax levied for						
General purposes						
Debt service						
Capital outlay						
Local option sales and services tax						
Unrestricted state grants						
Contributions and donations						
Unrestricted investment earnings						
Increase in fair value of investments						
Other						
Transfers						
Total general revenues and transfers						
Change in net assets						
Net assets, beginning of year						
Net assets, end of year						

* This amount excludes the depreciation included in the direct expenses of the various programs. See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments				
Other	\$1,402,231	\$ 990,187	\$ 500,496	\$2,892,914
Receivables				
Property tax				
Delinquent	41,860	-	11,081	52,941
Succeeding year	3,242,852	-	799,423	4,042,275
Income surtax	-	-	261,781	261,781
Due from other governments	225,802	67,045	-	292,847
Total assets and other debits	<u>\$4,912,745</u>	<u>\$1,057,232</u>	<u>\$ 1,572,781</u>	<u>\$7,542,758</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 95,757	\$ -	\$ 2,468	\$ 98,225
Salaries and benefits payable	966,958	-	-	966,958
Deferred revenue				
Succeeding year property tax	3,242,852	-	799,423	4,042,275
Income surtax	-	-	261,781	261,781
Other	65,134	-	-	65,134
Total liabilities	<u>4,370,701</u>	<u>-</u>	<u>1,063,672</u>	<u>5,434,373</u>
Fund balances				
Reserved for				
Debt service	-	-	53,911	53,911
Unreserved				
Designated for				
Student programs	68,236	-	44,707	112,943
Undesignated, governmental funds	473,808	1,057,232	-	1,531,040
Undesignated, special revenue funds	-	-	410,491	410,491
Total fund balances	<u>542,044</u>	<u>1,057,232</u>	<u>509,109</u>	<u>2,108,385</u>
Total liabilities and fund balances	<u>\$4,912,745</u>	<u>\$1,057,232</u>	<u>\$ 1,572,781</u>	<u>\$7,542,758</u>

See notes to financial statements.

MID-PRAIRIE 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	\$2,108,385
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.	5,329,995
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	261,781
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.	(10,810)
Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,356,600)</u>
Net assets of governmental activities	<u>\$4,332,751</u>

See notes to financial statements.

MID-PRAIRIE 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	\$3,078,437	\$ 661,203	\$ 1,121,065	\$4,860,705
Tuition	894,017	-	-	894,017
Other	301,384	5,425	367,955	674,764
State sources	5,457,927	-	378	5,458,305
Federal sources	627,300	-	-	627,300
Total revenues	<u>10,359,065</u>	<u>666,628</u>	<u>1,489,398</u>	<u>12,515,091</u>
Expenditures				
Current				
Instruction				
Regular	5,300,256	-	108,436	5,408,692
Special	1,427,956	-	-	1,427,956
Other	664,165	-	353,126	1,017,291
	<u>7,392,377</u>	<u>-</u>	<u>461,562</u>	<u>7,853,939</u>
Support services				
Student	204,077	-	1,386	205,463
Instructional staff	338,724	79,534	-	418,258
Administration	915,715	-	-	915,715
Operation and maintenance of plant	751,870	-	132,963	884,833
Transportation	430,566	-	164,813	595,379
	<u>2,640,952</u>	<u>79,534</u>	<u>299,162</u>	<u>3,019,648</u>
Other expenditures				
Facilities acquisition	-	60,166	446,139	506,305
Long-term debt				
Principal	-	-	295,000	295,000
Interest and fiscal charges	-	-	137,428	137,428
AEA flowthrough	397,136	-	-	397,136
	<u>397,136</u>	<u>60,166</u>	<u>878,567</u>	<u>1,335,869</u>
Total expenditures	<u>10,430,465</u>	<u>139,700</u>	<u>1,639,291</u>	<u>12,209,456</u>

See notes to financial statements.

MID-PRAIRIE 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>
Excess (deficiency) of revenues over (under) expenditures	\$ (71,400)	\$ 526,928	\$ (149,893)	\$ 305,635
Other financing sources (uses)				
Sale of equipment and materials	3,250	-	-	3,250
Interfund operating transfers in	-	-	52,259	52,259
Interfund operating transfers (out)	-	(52,259)	(8,055)	(60,314)
Total other financing sources (uses)	<u>3,250</u>	<u>(52,259)</u>	<u>44,204</u>	<u>(4,805)</u>
Net change in fund balances	(68,150)	474,669	(105,689)	300,830
Fund balance, beginning of year	<u>610,194</u>	<u>582,563</u>	<u>614,798</u>	<u>1,807,555</u>
Fund balance, end of year	<u>\$ 542,044</u>	<u>\$ 1,057,232</u>	<u>\$ 509,109</u>	<u>\$ 2,108,385</u>

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2007

Exhibit F

Net change in fund balances - total governmental funds \$ 300,830

**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	\$157,922	
Depreciation expense	<u>(432,147)</u>	(274,225)

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds.	261,781
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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.	295,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:	
Early retirement	73,308

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>815</u>
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Change in net assets of governmental activities \$ 657,509

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2007

Exhibit G

	Business Type Activities <u>Nonmajor Enterprise</u>
Assets	
Cash and pooled investments	\$ 66,029
Inventories	5,861
Capital assets, net of accumulated depreciation	<u>32,667</u>
Total assets	<u>104,557</u>
 Liabilities	
Salaries and benefits payable	<u>23,247</u>
 Net Assets	
Invested in capital assets, net of related debt	32,667
Unrestricted	<u>48,643</u>
Total net assets	<u>\$ 81,310</u>

See notes to financial statements.

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

Exhibit H

	Business Type Activities
	Nonmajor Enterprise
Operating revenue	
Local sources	
Charges for service	\$291,559
Operating expenses	
Non-instructional programs	
Salaries and benefits	181,077
Benefits	32,928
Purchased services	2,937
Supplies	252,634
Depreciation	4,549
Total operating expenses	474,125
Operating loss	(182,566)
Non-operating revenues	
Interest income	673
State sources	5,976
Federal sources	173,618
Total non-operating revenues	180,267
Net loss before transfers	(2,299)
Transfer in	8,055
Net income	5,756
Net assets, beginning of year	75,554
Net assets, end of year	\$ 81,310

See notes to financial statements.

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

Exhibit I

	Business Type Activities
Cash flows from operating activities	<u>Nonmajor Enterprise</u>
Cash received from sale of services	\$ 291,559
Cash payments to employees for services	(190,758)
Cash payments to suppliers for goods and services	<u>(230,317)</u>
Net cash used in operating activities	<u>(129,516)</u>
Cash flows from non-capital financing activities	
State grants received	5,976
Federal grants received	<u>149,353</u>
Net cash provided by non-capital financing activities	<u>155,329</u>
Cash flows from capital and related financing activities	
Transfer from other fund	8,055
Acquisition of equipment	<u>(8,055)</u>
Net cash provided by capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>673</u>
Net increase in cash and cash equivalents	26,486
Cash and cash equivalents, beginning of year	<u>39,543</u>
Cash and cash equivalents, end of year	<u>\$ 66,029</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$(182,566)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	4,549
Commodities used	24,265
Decrease in inventory	989
Increase in accrued salaries and benefits	<u>23,247</u>
Net cash used in operating activities	<u>\$(129,516)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2007, the District received \$24,265 federal commodities.

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Mid-Prairie Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Mid-Prairie Community School District has one component unit, which meets the Governmental Accounting Standards Board criteria.

These financial statements present the Mid-Prairie Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit - The Mid-Prairie Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental Fund in these financial statements.

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets 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 and the Enterprise, Latchkey Daycare Fund. These funds are used to account for the food service operations and the daycare/latchkey operations of the District, respectively.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The

principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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	40 years
Improvements to buildings	10 years
Furniture and equipment	5-12 years

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

Early Retirement - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2007. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund. The District discontinued offering its early retirement policy as of June 30, 2006.

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

receivable 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 and unspent grant proceeds.

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

Fund 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 \$64,682 of restricted net assets which is restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

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:

	Amortized Cost
Diversified Portfolio	\$ 231,011

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

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

Component Unit Investments - The Foundation had investments in mutual funds as follows:

Mutual funds \$131,143

Note 3. 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	\$ 52,259
Non-major special revenue Physical plant and equipment levy	Non-major enterprise School nutrition	<u>8,055</u>
		<u>\$ 60,314</u>

The transfer was for School Nutrition Fund equipment purchased during the year ended June 30, 2007, which was paid from the PPEL fund. The transfer from the Capital Projects Fund to the Debt Service Fund is to move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Capital Assets

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

<u>Governmental activities</u>	Balance, Beginning of Year	<u>Additions</u>	<u>Deletions</u>	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 127,851	\$ -	\$ -	\$ 127,851
Capital assets being depreciated:				
Buildings and improvements	11,271,139	-	-	11,271,139
Improvements other than buildings	303,011	-	-	303,011
Furniture and equipment	<u>1,736,605</u>	<u>157,922</u>	-	<u>1,894,527</u>
Total capital assets being depreciated	<u>13,310,755</u>	<u>157,922</u>	-	<u>13,468,677</u>
Less accumulated depreciation for:				
Buildings and improvements	6,150,548	279,613	-	6,430,161
Improvements other than buildings	285,266	17,745	-	303,011
Furniture and equipment	<u>1,398,572</u>	<u>134,789</u>	-	<u>1,533,361</u>
Total accumulated depreciation	<u>7,834,386</u>	<u>432,147</u>	-	<u>8,266,533</u>
Total capital assets being depreciated, net	<u>5,476,369</u>	<u>(274,225)</u>	-	<u>5,202,144</u>
Governmental activities capital assets, net	<u>\$ 5,604,220</u>	<u>\$(274,225)</u>	<u>\$ -</u>	<u>\$ 5,329,995</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 92,721	\$ 8,055	\$ -	\$ 100,776
Less accumulated depreciation	<u>(63,560)</u>	<u>(4,549)</u>	-	<u>(68,109)</u>
Business type activities capital assets, net	<u>\$ 29,161</u>	<u>\$ 3,506</u>	<u>\$ -</u>	<u>\$ 32,667</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 12,119
Support services	
Operation and maintenance of plant	10,244
Transportation	112,426
Unallocated depreciation	<u>297,358</u>
Total governmental activities depreciation expense	<u>\$ 432,147</u>

Business type activities

Food services	<u>\$ 4,549</u>
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Note 5. 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	\$ 3,520,000	\$ -	\$(295,000)	\$ 3,225,000	\$ 305,000
Early retirement	<u>204,908</u>	<u>-</u>	<u>(73,308)</u>	<u>131,600</u>	<u>51,292</u>
Totals	<u>\$ 3,724,908</u>	<u>\$ -</u>	<u>\$(368,308)</u>	<u>\$ 3,356,600</u>	<u>\$ 356,292</u>

Interest costs incurred and charged to expense on all long-term debt was \$136,613 for the year ended June 30, 2007. During the year ended June 30, 2007, the District made principal payments on total long-term debt of \$295,000.

Early Retirement Termination Benefit

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five years of age and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement plan was eliminated as of July 1, 2006. Currently there are nine individuals receiving the benefit. Early retirement benefits paid during the year ended June 30, 2007 totaled \$68,308. One beneficiary died during the year ended June 30, 2007. According to board policy, the unpaid benefits revert back to the district. During the year ended June 30, 2007, \$5,000 of unpaid benefits reverted back to the District.

General Obligation Bonds

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2002			
	Interest Rates	Principal	Interest	Total
2008	3.375-3.5%	\$ 305,000	\$ 127,191	\$ 432,191
2009	3.5-3.65%	315,000	116,523	431,523
2010	3.65-3.85%	330,000	104,868	434,868
2011	3.85-4.0%	335,000	92,429	427,429
2012	4.0-4.05%	350,000	78,952	428,952
2013-2016	4.05-4.5%	<u>1,590,000</u>	<u>159,652</u>	<u>1,749,652</u>
Total		<u>\$ 3,225,000</u>	<u>\$ 679,615</u>	<u>\$ 3,904,615</u>

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 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 \$372,257, \$361,518 and \$339,001, respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$397,136 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 9. Subsequent Event

During the fiscal year ending June 30, 2008, the District will begin receiving monies from the local option sales and services tax imposed by Johnson County. Voters in the county authorized a 1% tax for a period of 10 years, effective July 1, 2007. The District expects to receive approximately \$195,000 annually from this revenue source.

Note 10. 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

MID-PRAIRIE 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 Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
		\$						
Revenues								
Local sources		\$ 6,429,486	\$292,232		\$6,721,718	\$6,142,098	\$6,142,098	\$ 579,620
State sources		5,458,305	5,976		5,464,281	5,380,731	5,380,731	83,550
Federal sources		627,300	173,618		800,918	624,200	624,200	176,718
Total revenues		<u>12,515,091</u>	<u>471,826</u>		<u>12,986,917</u>	<u>12,147,029</u>	<u>12,147,029</u>	<u>839,888</u>
Expenditures								
Instruction		7,853,939	-		7,853,939	7,417,217	7,875,000	21,061
Support services		3,019,648	-		3,019,648	2,951,000	3,225,000	205,352
Non-instructional programs		-	474,125		474,125	575,000	575,000	100,875
Other expenditures		1,335,869	-		1,335,869	1,774,401	1,774,401	438,532
Total expenditures		<u>12,209,456</u>	<u>474,125</u>		<u>12,683,581</u>	<u>12,717,618</u>	<u>13,449,401</u>	<u>765,820</u>
Excess (deficiency) of revenues over (under) expenditures		305,635	(2,299)		303,336	(570,589)	(1,302,372)	1,605,708
Net other financing sources		<u>(4,805)</u>	<u>8,055</u>		<u>3,250</u>	-	-	<u>3,250</u>
Net change in fund balance		300,830	5,756		306,586	(570,589)	(1,302,372)	1,608,958
Balance, beginning of year		1,807,555	75,554		1,883,109	1,747,030	1,747,030	136,079
Balance, end of year		<u>\$ 2,108,385</u>	<u>\$ 81,310</u>		<u>\$2,189,695</u>	<u>\$1,176,441</u>	<u>\$ 444,658</u>	<u>\$1,745,037</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 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 adopted one budget amendment increasing budgeted expenditures by \$731,783.

Other Supplementary Information

MID-PRAIRIE 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> </u>
Assets					
Cash and pooled investments	\$193,022	\$44,811	\$213,741	\$ 48,922	\$ 500,496
Receivables					
Property tax					
Current year delinquent	3,260	-	2,832	4,989	11,081
Succeeding year	225,000	-	197,232	377,191	799,423
Income surtax	-	-	261,781	-	261,781
Total assets	<u>\$421,282</u>	<u>\$44,811</u>	<u>\$675,586</u>	<u>\$431,102</u>	<u>\$1,572,781</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 104	\$ 2,364	\$ -	\$ 2,468
Deferred revenue					
Succeeding year property tax	225,000	-	197,232	377,191	799,423
Income surtax	-	-	261,781	-	261,781
Total liabilities	<u>225,000</u>	<u>104</u>	<u>461,377</u>	<u>377,191</u>	<u>1,063,672</u>
Fund balances					
Reserved for debt service	-	-	-	53,911	53,911
Unreserved					
Designated for student activities	-	44,707	-	-	44,707
Undesignated fund balances	196,282	-	214,209	-	410,491
Total fund balances	<u>196,282</u>	<u>44,707</u>	<u>214,209</u>	<u>53,911</u>	<u>509,109</u>
Total liabilities and fund balances	<u>\$421,282</u>	<u>\$44,811</u>	<u>\$675,586</u>	<u>\$431,102</u>	<u>\$1,572,781</u>

See accompanying Independent Auditor's Report.

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

Schedule 2

Revenues	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Local sources					
Local taxes	\$239,741	\$ -	\$503,257	\$378,067	\$1,121,065
Other	17,602	342,697	5,317	2,339	367,955
State sources	109	-	97	172	378
Total revenues	257,452	342,697	508,671	380,578	1,489,398
Expenditures					
Current					
Instruction					
Regular	73,534	-	34,902	-	108,436
Other	-	353,126	-	-	353,126
Total instruction	73,534	353,126	34,902	-	461,562
Support services					
Student	1,386	-	-	-	1,386
Operation and maintenance of plant	132,963	-	-	-	132,963
Transportation	15,508	-	149,305	-	164,813
Total support services	149,857	-	149,305	-	299,162
Other expenditures					
Facilities acquisition	-	-	446,139	-	446,139
Long-term debt					
Principal	-	-	-	295,000	295,000
Interest and fiscal charges	-	-	-	137,428	137,428
Total other expenditures	-	-	446,139	432,428	878,567
Total expenditures	223,391	353,126	630,346	432,428	1,639,291
Excess (deficiency) of revenues over (under) expenditures	34,061	(10,429)	(121,675)	(51,850)	(149,893)
Other financing sources (uses)					
Interfund operating transfers in	-	-	-	52,259	52,259
Interfund operating transfers (out)	-	-	(8,055)	-	(8,055)
Total other financing sources (uses)	-	-	(8,055)	52,259	44,204
Net change in fund balances	34,061	(10,429)	(129,730)	409	(105,689)
Fund balances, beginning of year	162,221	55,136	343,939	53,502	614,798
Fund balances, end of year	\$196,282	\$ 44,707	\$214,209	\$ 53,911	\$ 509,109

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 Combining Statement of Net Assets
 Nonmajor Enterprise Funds
 June 30, 2007

Schedule 3

	<u>School Nutrition</u>	<u>Latchkey Daycare</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$65,693	\$ 336	\$ 66,029
Inventories	5,861	-	5,861
Capital assets, net of accumulated depreciation	<u>32,667</u>	<u>-</u>	<u>32,667</u>
Total assets	<u>104,221</u>	<u>336</u>	<u>104,557</u>
Liabilities			
Salaries and benefits payable	<u>23,247</u>	<u>-</u>	<u>23,247</u>
Net Assets			
Invested in capital assets	32,667	-	32,667
Unrestricted	<u>48,307</u>	<u>336</u>	<u>48,643</u>
Total net assets	<u><u>\$80,974</u></u>	<u><u>\$ 336</u></u>	<u><u>\$ 81,310</u></u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2007

Schedule 4

	<u>School</u> <u>Nutrition</u>	<u>Latchkey</u> <u>Daycare</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 273,024	\$18,535	\$ 291,559
Operating expenses			
Non-instructional programs			
Salaries	165,065	16,012	181,077
Benefits	31,141	1,787	32,928
Purchased services	2,937	-	2,937
Supplies	251,884	750	252,634
Depreciation	4,549	-	4,549
	<u>455,576</u>	<u>18,549</u>	<u>474,125</u>
Total operating expenses	<u>455,576</u>	<u>18,549</u>	<u>474,125</u>
Operating loss	<u>(182,552)</u>	<u>(14)</u>	<u>(182,566)</u>
Non-operating revenue			
Interest income	673	-	673
State sources	5,976	-	5,976
Federal sources	173,618	-	173,618
Total non-operating revenue	<u>180,267</u>	<u>-</u>	<u>180,267</u>
Net loss before transfer	(2,285)	(14)	(2,299)
Transfer in	8,055	-	8,055
Net income (loss)	5,770	(14)	5,756
Net assets, beginning of year	<u>75,204</u>	<u>350</u>	<u>75,554</u>
Net assets, end of year	<u>\$ 80,974</u>	<u>\$ 336</u>	<u>\$ 81,310</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

Schedule 5

	<u>School Nutrition</u>	<u>Latchkey Daycare</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 273,024	\$ 18,535	\$ 291,559
Cash payments to employees for services	(172,959)	(17,799)	(190,758)
Cash payments to suppliers for goods and services	<u>(229,567)</u>	<u>(750)</u>	<u>(230,317)</u>
Net cash used in operating activities	<u>(129,502)</u>	<u>(14)</u>	<u>(129,516)</u>
 Cash flows from non-capital financing activities			
State grants received	5,976	-	5,976
Federal grants received	<u>149,353</u>	<u>-</u>	<u>149,353</u>
Net cash provided by non-capital financing activities	<u>155,329</u>	<u>-</u>	<u>155,329</u>
 Cash flows from capital and related financing activities			
Transfer from other fund	8,055	-	8,055
Acquisition of equipment	<u>(8,055)</u>	<u>-</u>	<u>(8,055)</u>
Net cash provided by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
 Cash flows from investing activities			
Interest on investments	<u>673</u>	<u>-</u>	<u>673</u>
Net increase (decrease) in cash and cash equivalents	26,500	(14)	26,486
Cash and cash equivalents, beginning of year	<u>39,193</u>	<u>350</u>	<u>39,543</u>
 Cash and cash equivalents, end of year	<u>\$ 65,693</u>	<u>\$ 336</u>	<u>\$ 66,029</u>
 Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$(182,552)	\$ (14)	\$(182,566)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	4,549	-	4,549
Commodities used	24,265	-	24,265
Decrease in inventory	989	-	989
Increase in accrued salaries and benefits	<u>23,247</u>	<u>-</u>	<u>23,247</u>
Net cash used in operating activities	<u>\$(129,502)</u>	<u>\$ (14)</u>	<u>\$(129,516)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$24,265 of federal commodities.

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2007

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Drama Workshop	\$ 8,066	\$ 11,722	\$ 11,089	\$ 8,699
All Athletics	-	172,442	171,873	569
Athletic (Donations)	9,239	5,491	12,084	2,646
EIHC	87	6,150	3,385	2,852
Annual	2,701	8,447	10,185	963
Class of 2007	5,712	940	5,616	1,036
Class of 2008		14,832	10,693	4,139
Fundraising	2,438	490	471	2,457
Class of 2004	309	-	-	309
Class of 2003	1,403	-	-	1,403
Class of 2006	1,485	25	1,239	271
Renaissance	2,514	4,133	6,984	(337)
Class of 2005	1,200	-	-	1,200
Post Prom	2,150	8,147	8,723	1,574
FFA	3,099	22,148	25,055	192
Librarians Club	606	19	-	625
Miscellaneous	3,222	3,053	753	5,522
Newspaper	92	-	-	92
Athletic Resale	2,767	2,949	5,716	-
Athletic Resale (Boys Basketball)	30	33,535	33,496	69
Athletic Resale (Girls Basketball)	1,857	6,401	7,737	521
Athletic Resale (Football)		15,462	14,485	977
Athletic Resale (Girl Golf)		503	503	-
Athletic Resale (Boys Golf)		1,407	1,407	-
Athletic Resale (Cross Country)		1,002	1,002	-
Athletic Resale (Softball)		400	400	-
Athletic Resale (Boys Track)		2,070	2,042	28
Athletic Resale (Volleyball)		3,039	3,039	-
Athletic Resale (Wrestling)		298	298	-
Soda Club	2,199	-	-	2,199
FCCLA (McDowell)	154	5,125	4,122	1,157
High School Student Council	2,736	11,244	9,827	4,153
Wellness	1,070	1,223	902	1,391
Totals	<u>\$ 55,136</u>	<u>\$ 342,697</u>	<u>\$ 353,126</u>	<u>\$ 44,707</u>

See accompanying Independent Auditor's Report.

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

Schedule 7

	Modified Accrual Basis			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues				
Local sources				
Local tax	\$ 4,860,705	\$ 4,456,303	\$ 4,024,532	\$ 3,929,740
Tuition	894,017	692,869	627,395	546,827
Other	674,764	559,225	521,031	531,873
State sources	5,458,305	5,108,904	4,849,058	4,489,314
Federal sources	627,300	452,753	484,722	524,831
Total revenues	<u>\$ 12,515,091</u>	<u>\$ 11,270,054</u>	<u>\$ 10,506,738</u>	<u>\$ 10,022,585</u>
Expenditures				
Current				
Instruction				
Regular instruction	\$ 5,408,692	\$ 5,112,989	\$ 4,788,002	\$ 4,732,575
Special instruction	1,427,956	1,379,195	1,081,657	886,662
Other instruction	1,017,291	617,753	844,883	785,990
Support services				
Student services	205,463	228,264	217,976	201,391
Instructional staff services	418,258	423,256	223,188	225,598
Administration services	915,715	908,776	835,003	794,848
Operation and maintenance of plant services	884,833	854,623	803,747	763,437
Transportation services	595,379	450,232	513,750	465,224
Other expenditures				
Facilities acquisition	506,305	297,159	420,974	330,601
Long-term debt				
Principal	295,000	420,991	280,000	285,000
Interest and other charges	137,428	400	154,436	161,166
AEA flowthrough	397,136	364,300	350,130	343,098
Total expenditures	<u>\$ 12,209,456</u>	<u>\$ 11,057,938</u>	<u>\$ 10,513,746</u>	<u>\$ 9,975,590</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Schedule 8

Grantor/Program	CFDA	Agency or Pass-through	Program
Direct			
U.S. Department of Education			
Foreign Language Assistance Program	84.293B	1890-0009	\$156,668
Indirect			
U.S. Department of Agriculture			
Iowa Department of Education			
Food distribution (non-cash)	10.550	FY07	24,265
School Nutrition Cluster Programs			
National School Breakfast Program	10.553	FY07	20,244
National School Lunch Program	10.555	FY07	<u>129,109</u>
Total Department of Agriculture			<u>173,618</u>
U.S. Department of Education			
Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	4271-G-07	237,425
Title I Grants to Local Educational Agencies	84.010	4271-GC-07	<u>40,900</u>
Total Title I Grants to Local Educational Agencies			278,325
Safe and Drug-free Schools and Communities	84.184	FY07	3,260
Improving Teacher Quality State Grants	84.367	FY07	54,812
Grants for State Assessments & Related Activities	84.369	FY07	15,621
State Grants for Innovative Programs	84.298	FY07	4,767
Special Education-Grants to States	84.027	FY07	<u>67,707</u>
Total Iowa Department of Education			<u>424,492</u>
Grant Wood Area Education Agency			
Special Education-Grants to States	84.027	FY07	798
Vocational Education -Basic Grants to States	84.048	FY07	<u>24,469</u>
Total Area Education Agency			<u>25,267</u>
Total Department of Education			<u>449,759</u>
Total indirect			<u>623,377</u>
Total federal awards			<u>\$780,045</u>

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

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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

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

To the Board of Education
Mid-Prairie Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mid-Prairie Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated January 23, 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 Mid-Prairie 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 Mid-Prairie Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Mid-Prairie 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 Mid-Prairie 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 Mid-Prairie Community School District's

financial statements that is more than inconsequential will not be prevented or detected by Mid-Prairie Community School District's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 Mid-Prairie 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 II-A-07 and II-B-07 are material weaknesses.

Compliance and Other Matters

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

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

Mid-Prairie 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 Mid-Prairie 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 Mid-Prairie Community School District and other parties to whom Mid-Prairie Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 23, 2008

KAY L. CHAPMAN, CPA PC

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

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

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

Compliance

I have audited the compliance of Mid-Prairie Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Mid-Prairie Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mid-Prairie Community School District's management. My responsibility is to express an opinion on Mid-Prairie Community School District's compliance based on my audit.

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

In my opinion Mid-Prairie Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Mid-Prairie Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered Mid-Prairie Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Mid-Prairie Community School District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified deficiencies in internal control over compliance that I consider to be material weaknesses.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 and III-B-07 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. I consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-07 and III-B-07 to be material weaknesses.

Mid-Prairie Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I expressed my conclusions on the District's responses, I did not audit Mid-Prairie 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 the Mid-Prairie Community School District and other parties to whom the District may report, including federal awarding agencies

and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 23, 2008

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Part I. Summary of the Independent Auditor's Results

1. Unqualified opinions were issued on the financial statements.
2. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
3. The audit did not disclose any non-compliance which is material to the financial statements.
4. Significant deficiencies in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be material weaknesses.
5. An unqualified opinion was issued on compliance with requirements applicable to each major program.
6. The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. Major programs were as follows:
 - CFDA Number 84.010 Title I Grants to Local Educational Agencies
 - CFDA Number 84.293B Foreign Language Assistance Program
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Mid-Prairie Community School District did not qualify as a low-risk auditee.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Part II. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

II-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

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

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

Conclusion - Response accepted.

II-B-07 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 accounting principles and prepare year-end financial statements, including footnote disclosures. The business manager is able to perform the duties required in the normal course of business and to prepare the CAR in accordance with the Department of Education requirements. However, the business manager presently lacks the qualifications and training to appropriately prepare the annual financial statements and footnote disclosures in compliance with GAAP. This is a common situation in small entities where accounting personnel typically do not have four-year accounting degrees and do not receive annual training in order to stay current on new accounting and reporting standards and requirements.

Recommendation - The business manager should consider obtaining GAAP knowledge through reading relevant accounting literature and/or attending professional education courses to help him significantly improve in his ability to prepare reliable GAAP financial statements, including footnote disclosures.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Response - We believe that the business manager has sufficient knowledge to perform his daily duties and take responsibility for the annual financial statements and footnote disclosure 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.

Part III. Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

CFDA #84.010: Title I Grants to Local Education Agencies
Federal Award Year: 2007
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA #184.293B: Foreign Language Assistance Program
Federal Award Year: 2006
U.S. Department of Education
No pass-through agency

III-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

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

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

Conclusion - Response accepted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

III-B-07 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 accounting principles and prepare year-end financial statements, including footnote disclosures. The business manager is able to perform the duties required in the normal course of business and to prepare the CAR in accordance with the Department of Education requirements. However, the business manager presently lacks the qualifications and training to appropriately prepare the annual financial statements and footnote disclosures in compliance with GAAP. This is a common situation in small entities where accounting personnel typically do not have four-year accounting degrees and do not receive annual training in order to stay current on new accounting and reporting standards and requirements.

Recommendation - The business manager should consider obtaining GAAP knowledge through reading relevant accounting literature and/or attending professional education courses to help her significantly improve in her ability to prepare reliable GAAP financial statements, including 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 disclosure 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.

Part IV. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2007 did not exceed the amounts budgeted.
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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
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 that the interfund transfers were not approved by the board.

Recommendation - All transfers between funds should be approved by the board and such approval should be included in the board minutes, along with the reason for the transfer.

Response - We will have the board approve all interfund transfers in the future and include the necessary information in the board minutes.

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 of the Code of Iowa and the District's investment policy. However, the District exceeded the maximum depository limit established by board action at one of the financial institutions used by the District.

Recommendation - The District should increase the depository limits established by the board to ensure that the amount is sufficient to cover district deposits at each financial institution used by the District.

Response - We will increase our depository limit, as recommended.

Conclusion - Response accepted.

9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.

10. Signature Cards - I noted that the signature card for the sweep account did not contain current authorized signatures. I also noted that the signature card for the District checking account did not indicate that two signatures are required on all checks or for withdrawals from the account.

Recommendation - The District should ensure that all signature cards held by their financial institutions for all District bank accounts contain all properly authorized individuals and only currently authorized individuals as authorized signatures. Also signature cards for all District bank accounts should indicate that two signatures are required on checks or for withdrawals.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Response - We will review our signature cards with all District financial institutions to ensure that they have the correct signatures for authorized individuals and that they indicate that two signatures are required on checks and for withdrawals.

Conclusion - Response accepted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2007

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant