

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2008

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
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MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Michael Brown	Board President	2008
Frank Hedges	Board Member	2007
Melodee Kennedy	Board Member	2007
Julie Edmonds	Board Member	2007
David Baker	Board Member	2008
Dawn Dunnegan	Board Member	2009
Kenton Klenk	Board Member	2009
(After September 2007 Election)		
Michael Brown	Board President	2008
David Baker	Board Member	2008
Dawn Dunnegan	Board Member	2009
Kenton Klenk	Board Member	2009
Frank Hedges	Board Member	2010
Ralph Kaufman	Board Member	2010
Toby Gordon	Board Member	2010
School Officials		
Fred Whipple	Superintendent	2008
Pat Heitmeier	District Secretary/Treasurer	2008
Brian Gruhn	Attorney	2008

KAY L. CHAPMAN, CPA PC

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

Independent Auditor's Report

To the Board of Education
Mediapolis Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District, Mediapolis, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Mediapolis Community School District as of June 30, 2008, 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 February 19, 2009 on my consideration of Mediapolis Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mediapolis Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (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, 2008, appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mediapolis Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,562,795 in fiscal 2007 to \$7,769,907 in fiscal 2008, and General Fund expenditures increased from \$7,111,775 in fiscal 2007 to \$7,438,645 in fiscal 2008. The District's General Fund balance increased from \$1,318,525 in fiscal 2007 to \$1,600,753 in fiscal 2008, a 21% increase.
- Student enrollment was down slightly in September 2007 to 890.1 resident students from 898.5 resident students the previous year.
- The elementary playground was renovated during the spring and early summer of 2008. Renovation included installation of a safe, rubber surface and replacement of playground equipment. The project cost approximately \$150,000 and was paid for out of the Capital Projects Fund.
- Approximately \$485,000 in bond debt and related interest were paid off using local option sales and service tax revenues.
- The District replaced two buses in 2007-08 as the fleet continues to be updated. The buses were purchased for a total of \$142,937, using PPEL dollars.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds.

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

Figure A-1
Mediapolis Community School District Annual Financial Report

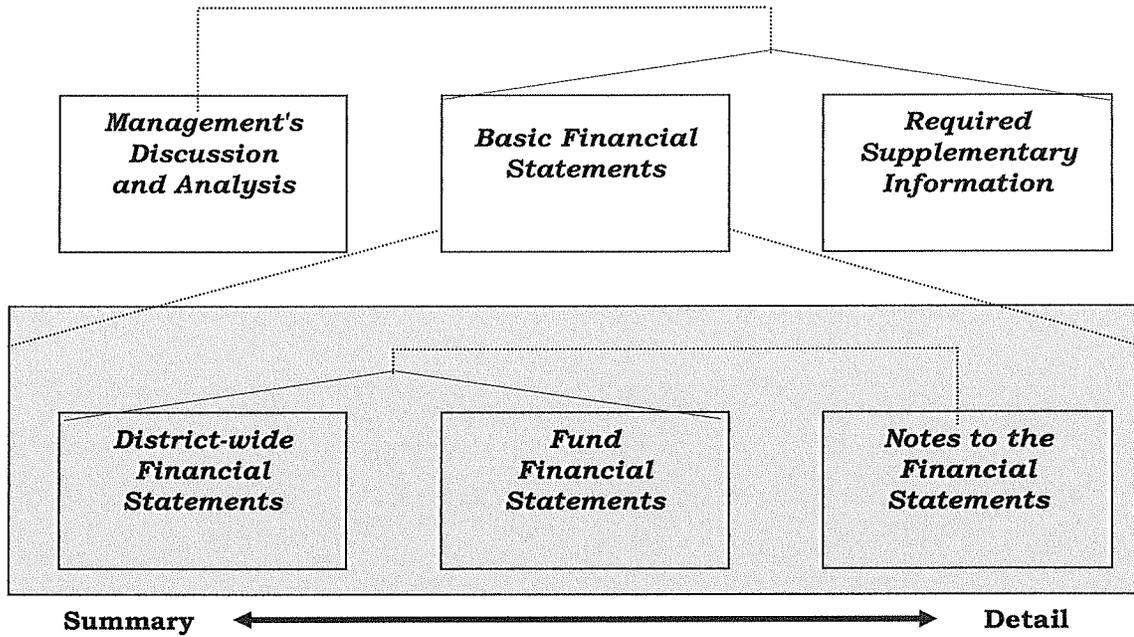


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool program are included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a statement of net assets, 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, 2008 compared to June 30, 2007.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change <u>2007-</u> <u>2008</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Current and other assets	\$ 7,285,079	\$ 7,362,628	\$ 31,256	\$ 49,195	\$ 7,316,335	\$ 7,411,823	-1.29%
Capital assets	<u>10,231,164</u>	<u>10,144,591</u>	<u>45,493</u>	<u>53,651</u>	<u>10,276,657</u>	<u>10,198,242</u>	0.77%
Total assets	<u>17,516,243</u>	<u>17,507,219</u>	<u>76,749</u>	<u>102,846</u>	<u>17,592,992</u>	<u>17,610,065</u>	-0.10%
Long-term liabilities	484,322	948,625	-	-	484,322	948,625	-48.94%
Other liabilities	<u>3,771,306</u>	<u>4,080,018</u>	<u>45,222</u>	<u>52,533</u>	<u>3,816,528</u>	<u>4,132,551</u>	-7.65%
Total liabilities	<u>4,255,628</u>	<u>5,028,643</u>	<u>45,222</u>	<u>52,533</u>	<u>4,300,850</u>	<u>5,081,176</u>	-15.36%
Net assets							
Invested in capital assets, net of related debt	9,831,164	9,299,591	45,493	53,651	9,876,657	9,353,242	5.60%
Restricted	1,715,788	1,534,258	-	-	1,715,788	1,534,258	11.83%
Unrestricted	<u>1,713,663</u>	<u>1,644,727</u>	<u>(13,966)</u>	<u>(3,338)</u>	<u>1,699,697</u>	<u>1,641,389</u>	3.55%
Total net assets	<u>\$ 13,260,615</u>	<u>\$ 12,478,576</u>	<u>\$ 31,527</u>	<u>\$ 50,313</u>	<u>\$ 13,292,142</u>	<u>\$ 12,528,889</u>	6.09%

The District's combined net assets increased by approximately 6%, or \$763,253, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$181,530, or approximately 12% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$58,308 or approximately 4%. This increase is low compared to previous years due to increased instructional spending and, therefore, increased use of instructional dollars. Spending will continue to be monitored closely to insure the District's financial position remains stable.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Revenues							
Program revenues							
Charges for service and sales	\$ 777,385	\$ 880,216	\$ 207,130	\$ 208,293	\$ 984,515	\$ 1,088,509	-9.55%
Operating grants	967,834	850,479	182,976	131,284	1,150,810	981,763	17.22%
Capital grants	-	25,000	-	-	-	25,000	-100.00%
General revenues							
Property tax	2,822,643	3,763,156	-	-	2,822,643	3,763,156	-24.99%
Local option sales and services tax	795,117	817,182	-	-	795,117	817,182	-2.70%
Unrestricted state grants	3,528,506	3,369,225	-	-	3,528,506	3,369,225	4.73%
Contributions and donations	58,550	36,027	-	-	58,550	36,027	62.52%
Unrestricted investment earnings	155,218	181,894	1,108	1,993	156,326	183,887	-14.99%
Other	<u>17,371</u>	<u>8,686</u>	<u>-</u>	<u>-</u>	<u>17,371</u>	<u>8,686</u>	99.99%
Total revenues	<u>9,122,624</u>	<u>9,931,865</u>	<u>391,214</u>	<u>341,570</u>	<u>9,513,838</u>	<u>10,273,435</u>	-7.39%
Program expenses							
Governmental activities							
Instruction	5,308,588	5,164,502	-	-	5,308,588	5,164,502	2.79%
Support services	2,342,215	2,172,521	-	-	2,342,215	2,172,521	7.81%
Non-instructional programs	14,647	3,686	466,408	400,761	481,055	404,447	18.94%
Other expenses	<u>618,727</u>	<u>832,335</u>	<u>-</u>	<u>-</u>	<u>618,727</u>	<u>832,335</u>	-25.66%
Total expenses	<u>8,284,177</u>	<u>8,173,044</u>	<u>466,408</u>	<u>400,761</u>	<u>8,750,585</u>	<u>8,573,805</u>	2.06%
Change in net assets before transfers	838,447	1,758,821	(75,194)	(59,191)	763,253	1,699,630	-55.09%
Transfers	<u>(56,408)</u>	<u>(49,310)</u>	<u>56,408</u>	<u>49,310</u>	<u>-</u>	<u>-</u>	0.00%
Change in net assets	<u>\$ 782,039</u>	<u>\$ 1,709,511</u>	<u>\$ (18,786)</u>	<u>\$ (9,881)</u>	<u>\$ 763,253</u>	<u>\$ 1,699,630</u>	-55.09%

In fiscal 2008, property tax and unrestricted state grants account for 70% of the revenue from governmental activities while charges for service and operating grants account for 99% of the revenue from business type activities.

The District's total revenues were \$9,513,838 of which \$9,122,624 was for governmental activities and \$391,214 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7% decrease in revenues and a 2% increase in expenses. The decrease in revenues is related partly to the decreases in student enrollment, open enrollment and tuition-in enrollment numbers. The increase in expenses is related to increases in negotiated salary and benefits as well as inflationary increases in the cost of fuel, utilities and supplies.

Governmental Activities

Revenues for governmental activities were \$9,122,624 and expenses were \$8,284,177 for the year ended June 30, 2008. The District continues to balance the budget by monitoring expenses to match available revenues.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-2008	2008	2007	Change 2007-2008
Instruction	\$ 5,308,588	\$ 5,164,502	2.8%	\$ 3,877,360	\$ 3,730,365	3.9%
Support services	2,342,215	2,172,521	7.8%	2,324,168	2,157,305	7.7%
Non-instructional programs	14,647	3,686	297.4%	14,647	3,686	297.4%
Other expenses	<u>618,727</u>	<u>832,335</u>	-25.7%	<u>322,783</u>	<u>525,993</u>	-38.6%
Total expenses	<u>\$ 8,284,177</u>	<u>\$ 8,173,044</u>	1.4%	<u>\$ 6,538,958</u>	<u>\$ 6,417,349</u>	1.9%

For the year ended June 30, 2008:

- The cost financed by users of the District’s programs was \$777,385.
- Federal and state governments subsidized certain programs with grants totaling \$967,834.
- The net cost of governmental activities was financed with \$3,617,760 in property and other taxes and \$3,528,506 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2008 were \$391,214 representing a 15% increase over the prior year and expenses were \$466,408, a 16% increase from the prior year. The District’s business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2008, the District did not increase student lunch prices. The Board is aware that the Nutrition Fund may not generate adequate revenue to cover the costs; lunch prices will be reviewed in the future and adjusted if necessary.

Also during fiscal 2008, the District continued the preschool program. State funding follows a year behind in this type of program. This fund will continue to show a negative balance for several years. Tuition fees paid for four-year-old students enrolled in the program help to decrease the negative balance. The Board is aware of this situation and will monitor as required.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,297,545, well above last year's ending fund balances of \$2,862,188. The primary reason for the increase in combined fund balances in fiscal 2008 is due to strict monitoring of budget to keep spending within boundaries and continuing to levy for cash reserve.

Governmental Fund Highlights

- The General Fund balance increased from \$1,318,525 to \$1,600,753. This improvement was due in part to continued budget efficiencies when possible and the use of the cash reserve levy to help boost revenue, as well as the district continuing to levy instructional support at the full allowable amount.
- The Capital Projects Fund balance increased from \$774,992 in fiscal 2007 to \$885,211 in fiscal 2008 due to site improvement projects being funded with excess local option sales and services tax.

Proprietary Fund Highlights

Proprietary Fund net assets decreased from \$50,313 at June 30, 2007 to \$31,527 at June 30, 2008, representing a decrease of approximately 37%. The decrease is attributed to lunch prices not being increased while wages and food costs have increased. The Board will continue to monitor as required.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mediapolis Community School District amended its budget one time by \$144,129 to reflect additional expenditures associated with increased utilities, fuel, food and transportation costs.

The District's revenues were \$306,928 less than budgeted revenues, a variance of 3%. The most significant variance resulted from the District not needing to levy for the elementary building bond payments (the local option sales and services tax revenue was used to pay off these bonds).

Total expenditures were \$943,764 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$10,276,657 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of .8% over last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$405,000.

The original cost of the District's capital assets was \$15,409,016. Governmental funds account for \$15,235,889, with the remainder of \$173,127 accounted for in the Proprietary, School Nutrition Fund.

The biggest increase was in the improvements other than buildings category, which increased from \$181,103 in 2007 to \$335,639 in 2008 due to tiling of the playground and a roofing project.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Land	\$ 65,743	\$ 65,743	\$ -	\$ -	\$ 65,743	\$ 65,743	0.00%
Construction in progress	-	329,265	-	-	-	329,265	-100.00%
Buildings and improvements	9,082,617	8,908,176	-	-	9,082,617	8,908,176	1.96%
Improvements, other than buildings	335,639	181,103	-	-	335,639	181,103	85.33%
Furniture and equipment	747,165	660,304	45,493	53,651	792,658	713,955	11.02%
Totals	<u>\$10,231,164</u>	<u>\$10,144,591</u>	<u>\$45,493</u>	<u>\$53,651</u>	<u>\$10,276,657</u>	<u>\$10,198,242</u>	0.77%

Long-Term Debt

At June 30, 2008, the District had \$484,322 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 49% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total		Total
	School District		Change
	2008	2007	2007-2008
Revenue bonds	\$ 400,000	\$ 845,000	-52.66%
Compensated absences	15,192	12,975	17.09%
Early retirement	69,130	90,650	-23.74%
Total	\$ 484,322	\$ 948,625	-48.94%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District continues to experience a small decline in enrollment.
- The bus replacement program will continue with replacement of two buses during 2008-09.
- A five-year roof replacement program was begun in the summer of 2008, with work to continue during the summer of 2009.
- The grim economic forecast for the foreseeable future and the Iowa governor's proposed cuts may have a negative impact on the district's finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,258,603	\$ 14,110	\$ 3,272,713
Investments with fiscal agent	734,716	-	734,716
Receivables			
Property tax			
Delinquent	27,494	-	27,494
Succeeding year	2,816,521	-	2,816,521
Accounts receivable	9,539	-	9,539
Accrued interest			
ISCAP	3,688	-	3,688
Income surtaxes	216,711	-	216,711
Due from other governments	181,482	171	181,653
Due from other fund	36,325	-	36,325
Inventories	-	16,975	16,975
Non-depreciable capital assets	65,743	-	65,743
Capital assets, net of accumulated depreciation	10,165,421	45,493	10,210,914
Total assets	<u>14,257,640</u>	<u>62,639</u>	<u>14,320,279</u>
Liabilities			
Accounts payable	248,013	307	248,320
Salaries and benefits payable	701,878	8,590	710,468
Accrued interest payable	4,750	-	4,750
Due to other fund	-	36,325	36,325
Deferred revenue			
Succeeding year property tax	2,816,521	-	2,816,521
ISCAP accrued interest payable	144	-	144
Long-term liabilities			
Portion due within one year			
Revenue bonds payable	400,000	-	400,000
Early retirement payable	52,585	-	52,585
Portion due after one year			
Compensated absences	15,192	-	15,192
Early retirement payable	16,545	-	16,545
Total liabilities	<u>4,255,628</u>	<u>45,222</u>	<u>4,300,850</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	Governmental Activities	Business Type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 9,831,164	\$ 45,493	\$ 9,876,657
Restricted for			
Management levy	195,912	-	195,912
Physical plant and equipment levy	387,065	-	387,065
Debt service	60,061	-	60,061
Other special revenue purposes	187,539	-	187,539
Capital projects	885,211	-	885,211
Unrestricted	1,713,663	(13,966)	1,699,697
Total net assets	\$13,260,615	\$ 31,527	\$13,292,142

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>	<u>Total</u>
Governmental activities						
Instruction						
Regular instruction	\$ 3,536,235	\$ 723,532	\$ 514,394	\$ -	\$ (2,298,309)	\$ (2,298,309)
Special instruction	997,712	34,810	141,134	-	(821,768)	(821,768)
Other instruction	774,641	996	16,362	-	(757,283)	(757,283)
	<u>5,308,588</u>	<u>759,338</u>	<u>671,890</u>	-	<u>(3,877,360)</u>	<u>(3,877,360)</u>
Support services						
Student	162,786	-	-	-	(162,786)	(162,786)
Instructional staff	271,190	-	-	-	(271,190)	(271,190)
Administration	728,495	-	-	-	(728,495)	(728,495)
Operation and maintenance of plant	600,631	287	-	-	(600,344)	(600,344)
Transportation	579,113	17,760	-	-	(561,353)	(561,353)
	<u>2,342,215</u>	<u>18,047</u>	-	-	<u>(2,324,168)</u>	<u>(2,324,168)</u>
Non-instructional programs	14,647	-	-	-	(14,647)	(14,647)
Other expenses						
Facilities acquisition	2,987	-	-	-	(2,987)	(2,987)
Long-term debt interest	38,867	-	-	-	(38,867)	(38,867)
AEA flowthrough	295,944	-	295,944	-	-	-
Depreciation (unallocated) *	280,929	-	-	-	(280,929)	(280,929)
	<u>618,727</u>	-	<u>295,944</u>	-	<u>(322,783)</u>	<u>(322,783)</u>
Total governmental activities	<u>8,284,177</u>	<u>777,385</u>	<u>967,834</u>	-	<u>(6,538,958)</u>	<u>(6,538,958)</u>

See notes to financial statements.

MEDIAAPOLIS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2008

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<u>Functions/Programs (continued)</u>							
Business type activities							
Non-instructional programs							
Food service operations	\$ 412,056	\$ 201,510	\$ 182,976	\$ -	\$ -	\$ (27,570)	\$ (27,570)
Preschool program	54,352	5,620	-	-	-	(48,732)	(48,732)
Total business type activities	466,408	207,130	182,976	-	-	(76,302)	(76,302)
Total	\$ 8,750,585	\$ 984,515	\$ 1,150,810	\$ -	-	(76,302)	(6,615,260)
<u>General Revenues</u>							
Property tax levied for							
General purposes					2,584,151	-	2,584,151
Capital outlay					238,492	-	238,492
Local option sales and services tax					795,117	-	795,117
Unrestricted state grants					3,528,506	-	3,528,506
Contributions and donations					58,550	-	58,550
Unrestricted investment earnings					155,218	1,108	156,326
Other					17,371	-	17,371
Transfers					(56,408)	56,408	-
Total general revenues and transfers					7,320,997	57,516	7,378,513
Change in net assets					782,039	(18,786)	763,253
Net assets, beginning of year					12,478,576	50,313	12,528,889
Net assets, end of year					\$ 13,260,615	\$ 31,527	\$ 13,292,142

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

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$2,343,067	\$ 90,118	\$ 825,418	\$3,258,603
Investments with fiscal agent	-	734,716	-	734,716
Receivables				
Property tax				
Delinquent	24,809	-	2,685	27,494
Succeeding year	2,536,455	-	280,066	2,816,521
Accounts receivable	4,530	-	5,009	9,539
Accrued interest				
ISCAP	3,688	-	-	3,688
Income surtax	123,835	-	92,876	216,711
Due from other governments	56,308	125,157	17	181,482
Due from other funds	36,325	-	-	36,325
Total assets and other debits	<u>\$2,785,950</u>	<u>\$859,873</u>	<u>\$ 380,653</u>	<u>\$4,026,476</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 166,890	\$ 64,780	\$ 16,343	\$ 248,013
Salaries and benefits payable	696,673	-	5,205	701,878
ISCAP accrued interest payable	144	-	-	144
Deferred revenue				
Succeeding year property tax	2,536,455	-	280,066	2,816,521
Income surtax	123,835	-	92,876	216,711
Other	4,267	-	-	4,267
Total liabilities	<u>3,528,264</u>	<u>64,780</u>	<u>394,490</u>	<u>3,987,534</u>
Fund balances				
Reserved for				
Debt service	-	-	64,811	64,811
At-risk program	2,687	-	-	2,687
Beginning Teacher Mentoring program	849	-	-	849
Teacher Quality program	1,663	-	-	1,663
Market Factor program	7,400	-	-	7,400
Phase II	204	-	-	204
Phase III	13	-	-	13
Professional Development program	5,774	-	-	5,774
Unreserved, governmental funds	1,582,163	885,211	-	2,467,374
Unreserved, special revenue funds	-	-	746,770	746,770
Total fund balances	<u>1,600,753</u>	<u>885,211</u>	<u>811,581</u>	<u>3,297,545</u>
Total liabilities and fund balances	<u>\$5,129,017</u>	<u>\$949,991</u>	<u>\$1,206,071</u>	<u>\$7,285,079</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2008

Exhibit D

Total fund balances of governmental funds	\$ 3,297,545
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,231,164
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	220,978
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.	(4,750)
Long-term liabilities, including bonds payable, compensated absences and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(484,322)</u>
Net assets of governmental activities	<u><u>\$13,260,615</u></u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$2,633,204	\$795,117	\$ 396,918	\$3,825,239
Tuition	450,545	-	-	450,545
Other	188,080	45,603	322,470	556,153
State sources	4,340,117	-	205	4,340,322
Federal sources	157,961	-	-	157,961
Total revenues	<u>7,769,907</u>	<u>840,720</u>	<u>719,593</u>	<u>9,330,220</u>
Expenditures				
Current				
Instruction				
Regular	3,522,746	-	64,598	3,587,344
Special	997,712	-	-	997,712
Other	495,332	-	277,264	772,596
	<u>5,015,790</u>	<u>-</u>	<u>341,862</u>	<u>5,357,652</u>
Support services				
Student	162,113	-	673	162,786
Instructional staff	269,355	-	673	270,028
Administration	683,745	-	20,571	704,316
Operation and maintenance of plant	562,486	-	35,276	597,762
Transportation	448,024	-	232,080	680,104
	<u>2,125,723</u>	<u>-</u>	<u>289,273</u>	<u>2,414,996</u>
Non-instructional programs	1,188	-	13,459	14,647
Other expenditures				
Facilities acquisition	-	242,905	30,589	273,494
Long-term debt				
Principal	-	-	445,000	445,000
Interest and fiscal charges	-	-	44,096	44,096
AEA flowthrough	295,944	-	-	295,944
	<u>295,944</u>	<u>242,905</u>	<u>519,685</u>	<u>1,058,534</u>
Total expenditures	<u>7,438,645</u>	<u>242,905</u>	<u>1,164,279</u>	<u>8,845,829</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 331,262	\$597,815	\$ (444,686)	\$ 484,391
Other financing sources (uses)				
Sale of equipment and materials	7,374	-	-	7,374
Interfund operating transfers in	-	-	487,596	487,596
Interfund operating transfers (out)	<u>(56,408)</u>	<u>(487,596)</u>	-	<u>(544,004)</u>
Total other financing sources (uses)	<u>(49,034)</u>	<u>(487,596)</u>	<u>487,596</u>	<u>(49,034)</u>
Net change in fund balances	282,228	110,219	42,910	435,357
Fund balance, beginning of year	<u>1,318,525</u>	<u>774,992</u>	<u>768,671</u>	<u>2,862,188</u>
Fund balance, end of year	<u>\$1,600,753</u>	<u>\$885,211</u>	<u>\$ 811,581</u>	<u>\$3,297,545</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2008

Exhibit F

Net change in fund balances - total governmental funds **\$435,357**

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	\$485,415	
Loss on disposal of capital assets	(5,547)	
Depreciation expense	<u>(393,295)</u>	86,573

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. (209,423)

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. 445,000

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

Early retirement	\$ 21,520	
Compensated absences	<u>(2,217)</u>	19,303

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. 5,229

Change in net assets of governmental activities **\$782,039**

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2008

Exhibit G

	<u>Nonmajor Enterprise Funds</u>
Assets	
Cash and pooled investments	\$ 14,110
Due from other governments	171
Inventories	16,975
Capital assets, net of accumulated depreciation	<u>45,493</u>
Total assets	<u>76,749</u>
 Liabilities	
Accounts payable	307
Salaries and benefits payable	8,590
Due to other funds	<u>36,325</u>
Total liabilities	<u>45,222</u>
 Net Assets	
Invested in capital assets	45,493
Unrestricted	<u>(13,966)</u>
Total net assets	<u><u>\$ 31,527</u></u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

Exhibit H

	<u>Nonmajor Enterprise Funds</u>
Operating revenue	
Local sources	
Charges for service	<u>\$207,130</u>
Operating expenses	
Instruction	
Regular	54,352
Support services	
Administration	19,914
Operation and maintenance of plant	1,563
Non-instructional programs	
Food service operations	<u>390,579</u>
Total operating expenses	<u>466,408</u>
Operating loss	<u>(259,278)</u>
Non-operating revenues	
Interest income	1,108
State sources	4,964
Federal sources	<u>178,012</u>
Total non-operating revenues	<u>184,084</u>
Net loss before transfers	(75,194)
Transfers in	<u>56,408</u>
Net loss	(18,786)
Net assets, beginning of year	<u>50,313</u>
Net assets, end of year	<u>\$ 31,527</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

Exhibit I

	Nonmajor Enterprise Funds
Cash flows from operating activities	
Cash received from sale of services	\$ 207,130
Cash payments to employees for services	(243,633)
Cash payments to suppliers for goods and services	(197,420)
Net cash used in operating activities	<u>(233,923)</u>
Cash flows from non-capital financing activities	
Operating transfers from other fund	56,408
State grants received	4,964
Federal grants received	155,074
Net cash provided by non-capital financing activities	<u>216,446</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(3,547)</u>
Cash flows from investing activities	
Interest on investments	<u>1,108</u>
Net decrease in cash and cash equivalents	(19,916)
Cash and cash equivalents, beginning of year	34,026
Cash and cash equivalents, end of year	<u>\$ 14,110</u>

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

Operating loss	\$(259,278)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	11,704
Commodities used	22,767
(Increase) in inventory	(1,806)
Increase in accounts payable	308
(Decrease) in due to other funds	(7,576)
(Decrease) in accrued salaries and benefits	(42)
Net cash used in operating activities	<u>\$(233,923)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2008, the District received \$22,767 of federal commodities.

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

Note 1. Summary of Significant Accounting Policies

The Mediapolis Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Mediapolis, Iowa, and the agricultural territory in Des Moines and Louisa 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, Mediapolis Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Mediapolis Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and early retirement termination benefits 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 financial statements:

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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

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

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives

are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Early Retirement - Certified District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has

been computed based on rates of pay in effect at June 30, 2008. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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

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

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 \$582,977 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. During the year ended June 30, 2008, expenditures exceeded the amount budgeted in the Non-instructional Programs function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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, 2008, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	Amortized Cost
Diversified Portfolio	<u>\$3,974</u>

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

Also at June 30, 2008, the District had \$734,716 invested with Bankers Trust Company, of which \$435,752 was in a MCIA Investment maturing on 4/1/09 and \$298,964 was invested in the Goldman Sachs Financial Square Treasury Obligations Fund. The investments are valued at fair market value.

Credit risk. The investments in the Iowa Schools Joint Investment Trust, MCIA Investment and Goldman Sachs Financial Square Treasury Obligations Fund were all rated Aaa by Moody's Investors Service. The District places no limit on the amount that may be invested in any one issuer. The District's investment in the MCIA Investments and the Goldman Sachs Financial Square Treasury Obligations accounted for is 59% and 41%, respectively, of the District's total investments.

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Non-major Enterprise	
General Fund	Preschool Fund	\$ 36,325

The Preschool Fund had a negative reconciled bank balance at June 30, 2008. Since the Preschool Fund shares a bank account with the General Fund, this negative balance is reported as an interfund receivable/payable at June 30, 2008.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Capital Projects	Non-major governmental Debt service	\$ 487,596
General	Non-major enterprise Preschool	<u>56,408</u>
		<u>\$ 544,004</u>

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

Projects fund to the Debt Service Fund was for principal and interest payments on debt. The transfer from the General Fund to the Preschool Fund was for state foundation aid received for 5-year olds enrolled in the preschool program.

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2007-08A	6/27/07	6/27/08	\$ -	\$ 3,688	\$ 144	\$ -

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity during the year ended June 30, 2008.

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-08A	4.50%	5.455%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

<u>Governmental activities</u>	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 65,743	\$ -	\$ -	\$ 65,743
Construction in progress	<u>329,265</u>	<u>-</u>	<u>(329,265)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>395,008</u>	<u>-</u>	<u>(329,265)</u>	<u>65,743</u>
Capital assets being depreciated:				
Buildings and improvements	12,424,669	423,265	-	12,847,934
Improvements other than buildings	611,779	178,669	-	790,448
Furniture and equipment	<u>1,379,639</u>	<u>212,746</u>	<u>(60,621)</u>	<u>1,531,764</u>
Total capital assets being depreciated	<u>14,416,087</u>	<u>814,680</u>	<u>(60,621)</u>	<u>15,170,146</u>
Less accumulated depreciation for:				
Buildings and improvements	3,516,493	248,824	-	3,765,317
Improvements other than buildings	430,676	24,133	-	454,809
Furniture and equipment	<u>719,335</u>	<u>120,338</u>	<u>(55,074)</u>	<u>784,599</u>
Total accumulated depreciation	<u>4,666,504</u>	<u>393,295</u>	<u>(55,074)</u>	<u>5,004,725</u>
Total capital assets being depreciated, net	<u>9,749,583</u>	<u>421,385</u>	<u>(5,547)</u>	<u>10,165,421</u>
Governmental activities capital assets, net	<u>\$ 10,144,591</u>	<u>\$ 421,385</u>	<u>\$(334,812)</u>	<u>\$ 10,231,164</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 169,580	\$ 3,547	\$ -	\$ 173,127
Less accumulated depreciation	<u>115,929</u>	<u>11,705</u>	<u>-</u>	<u>127,634</u>
Business type activities capital assets, net	<u>\$ 53,651</u>	<u>\$ (8,158)</u>	<u>\$ -</u>	<u>\$ 45,493</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 1,191
Other	2,045
Support services	
Student support	1,162
Administration	5,461
Operation and maintenance of plant	5,980
Transportation	96,527
Unallocated depreciation	<u>280,929</u>
Total governmental activities depreciation expense	<u>\$ 393,295</u>

Business type activities

Food services	<u>\$ 11,705</u>
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Note 7. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Revenue bonds	\$ 845,000	\$ -	\$(445,000)	\$ 400,000	\$ 400,000
Compensated absences	12,975	6,461	(4,244)	15,192	-
Early retirement	90,650	32,498	(54,018)	69,130	52,585
Totals	<u>\$ 948,625</u>	<u>\$ 38,959</u>	<u>\$(503,262)</u>	<u>\$ 484,322</u>	<u>\$ 452,585</u>

Interest costs incurred and charged to expense on all long-term debt was \$38,867 for the year ended June 30, 2008.

Early Retirement Termination Benefit

Certified District employees who have 25 years of continuous service and are at least 55 years of age, are eligible for early retirement pay. Employees who participate in the early retirement program shall receive a benefit of \$21,000. Non-certified employees who are 55 years of age or older and have 10 years of service to the District also qualify for early retirement benefits. The retirement benefit for non-certified employees is equal to two and one-half days' pay for each year of service to the District. Early retirement expenditures for the year ended June 30, 2008 totaled \$54,018. At June 30, 2008, the District had obligations to seven participants with a total liability of \$69,130 for termination benefits.

Revenue Anticipation Bonds Payable

The District has pledged future local sales and services tax revenues to repay the \$4,275,000 bonds issued on June 1, 2000. The proceeds of the bonds were used to construct and remodel a new middle school building. The bonds are payable solely from the collection of the local option sales and services tax for school infrastructure and are payable through 2009. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 53 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$419,000. For the current year, principal and interest of \$484,915 was paid on the bonds and total local option sales and services tax revenues were \$795,117.

The bonds include Series 2000A in the amount of \$3,875,000 and Series 2000B in the amount of \$400,000. The bonds are secured by a Reserve Fund, which was established under the Bond Resolution. A Sinking Fund has been established into which collections of the local option sales and service tax revenues are deposited. Interest and principal on the bonds are paid from the Sinking Fund. Details of the District's June 30, 2008 revenue anticipation bonded indebtedness are as follows:

Year Ending <u>June 30,</u> 2009	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	4.75%	\$ 400,000	\$ 19,000	\$ 419,000

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

Note 8. Pension and Retirement Benefits

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

Plan members were required to contribute 3.90% of their annual covered salary and the District was required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual covered salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$289,245, \$270,038 and \$252,592, respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$295,944 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Deficit Fund Balance

At June 30, 2008, the District had a net assets deficit of \$43,357 in the Preschool Fund.

Note 12. 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, 2008, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Required Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2008

	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues								
Local sources	\$ 4,831,937		\$ 208,238		\$ 5,040,175	\$ 5,157,919	\$ 5,157,919	\$ (117,744)
State sources	4,340,322		4,964		4,345,286	4,392,676	4,392,676	(47,390)
Federal sources	<u>157,961</u>		<u>178,012</u>		<u>335,973</u>	<u>477,767</u>	<u>477,767</u>	<u>(141,794)</u>
Total revenues	<u>9,330,220</u>		<u>391,214</u>		<u>9,721,434</u>	<u>10,028,362</u>	<u>10,028,362</u>	<u>(306,928)</u>
Expenditures/Expenses								
Instruction	5,357,652		54,352		5,412,004	5,447,031	5,447,031	35,027
Support services	2,414,996		21,477		2,436,473	2,787,709	2,861,838	425,365
Non-instructional programs	14,647		390,579		405,226	305,000	375,000	(30,226)
Other expenditures	<u>1,058,534</u>		<u>-</u>		<u>1,058,534</u>	<u>1,572,132</u>	<u>1,572,132</u>	<u>513,598</u>
Total expenditures/expenses	<u>8,845,829</u>		<u>466,408</u>		<u>9,312,237</u>	<u>10,111,872</u>	<u>10,256,001</u>	<u>943,764</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	484,391		(75,194)		409,197	(83,510)	(227,639)	636,836
Net other financing sources (uses)	<u>(49,034)</u>		<u>56,408</u>		<u>7,374</u>	<u>10,500</u>	<u>10,500</u>	<u>(3,126)</u>
Net change in fund balance	435,357		(18,786)		416,571	(73,010)	(217,139)	633,710
Balance, beginning of year	<u>2,862,188</u>		<u>50,313</u>		<u>2,912,501</u>	<u>2,038,317</u>	<u>2,038,317</u>	<u>874,184</u>
Balance, end of year	<u>\$ 3,297,545</u>		<u>\$ 31,527</u>		<u>\$ 3,329,072</u>	<u>\$ 1,965,307</u>	<u>\$ 1,821,178</u>	<u>\$ 1,507,894</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2008

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 \$144,129.

During the year ended June 30, 2008, District expenditures exceeded the amount budgeted in the Non-instructional Programs function; however, General Fund expenditures did not exceed the District's unspent authorized budget.

Other Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

Schedule 1

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Assets					
Cash and pooled investments	\$267,103	\$200,380	\$293,124	\$64,811	\$ 825,418
Receivables					
Property tax					
Delinquent	1,624	-	1,061	-	2,685
Succeeding year	156,521	-	123,545	-	280,066
Accounts receivable	-	5,009	-	-	5,009
Income surtax	-	-	92,876	-	92,876
Due from other governments	13	-	4	-	17
Total assets	<u>\$425,261</u>	<u>\$205,389</u>	<u>\$510,610</u>	<u>\$64,811</u>	<u>\$1,206,071</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 16,343	\$ -	\$ -	\$ 16,343
Salaries and benefits payable	3,698	1,507	-	-	5,205
Deferred revenue					
Succeeding year property tax	156,521	-	123,545	-	280,066
Income surtax	-	-	92,876	-	92,876
Total liabilities	<u>160,219</u>	<u>17,850</u>	<u>216,421</u>	<u>-</u>	<u>394,490</u>
Fund balances					
Reserved for debt service	-	-	-	64,811	64,811
Unreserved fund balances	265,042	187,539	294,189	-	746,770
Total fund balances	<u>265,042</u>	<u>187,539</u>	<u>294,189</u>	<u>64,811</u>	<u>811,581</u>
Total liabilities and fund balances	<u>\$425,261</u>	<u>\$205,389</u>	<u>\$510,610</u>	<u>\$64,811</u>	<u>\$1,206,071</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

Schedule 2

Revenues	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Local sources					
Local taxes	\$160,159	\$ -	\$236,759	\$ -	\$ 396,918
Other	8,519	295,165	16,640	2,146	322,470
State sources	124	-	81	-	205
Total revenues	168,802	295,165	253,480	2,146	719,593
Expenditures					
Current					
Instruction					
Regular	64,598	-	-	-	64,598
Other	-	277,264	-	-	277,264
Total instruction	64,598	277,264	-	-	341,862
Support services					
Student	673	-	-	-	673
Instructional staff	673	-	-	-	673
Administration	19,900	671	-	-	20,571
Operation and maintenance of plant	35,276	-	-	-	35,276
Transportation	43,766	-	188,314	-	232,080
Total support services	100,288	671	188,314	-	289,273
Non-instructional programs	13,459	-	-	-	13,459
Other expenditures					
Facilities acquisition	-	-	30,589	-	30,589
Long-term debt					
Principal	-	-	-	445,000	445,000
Interest and fiscal charges	-	-	-	44,096	44,096
Total other expenditures	-	-	30,589	489,096	519,685
Total expenditures	178,345	277,935	218,903	489,096	1,164,279
Excess (deficiency) of revenues over (under) expenditures	(9,543)	17,230	34,577	(486,950)	(444,686)
Other financing sources					
Interfund operating transfers in	-	-	-	487,596	487,596
Net change in fund balances	(9,543)	17,230	34,577	646	42,910
Fund balances, beginning of year	274,585	170,309	259,612	64,165	768,671
Fund balances, end of year	\$265,042	\$187,539	\$294,189	\$ 64,811	\$ 811,581

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2008

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$14,110	\$ -	\$14,110
Due from other governments	171	-	171
Inventories	16,975	-	16,975
Capital assets, net of accumulated depreciation	<u>45,493</u>	<u>-</u>	<u>45,493</u>
Total assets	<u>76,749</u>	<u>-</u>	<u>76,749</u>
Liabilities			
Accounts payable	307	-	307
Salaries and benefits payable	1,558	7,032	8,590
Due to other funds	<u>-</u>	<u>36,325</u>	<u>36,325</u>
Total liabilities	<u>1,865</u>	<u>43,357</u>	<u>45,222</u>
Net Assets			
Invested in capital assets	45,493	-	45,493
Unrestricted	<u>29,391</u>	<u>(43,357)</u>	<u>(13,966)</u>
Total net assets	<u>\$74,884</u>	<u>\$(43,357)</u>	<u>\$31,527</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008

Schedule 4

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
Operating revenue			
Local sources			
Charges for service	\$201,510	\$ 5,620	\$207,130
Operating expenses			
Instruction			
Regular			
Salaries	-	37,319	37,319
Benefits	-	16,306	16,306
Supplies	-	727	727
	<u>-</u>	<u>54,352</u>	<u>54,352</u>
Support services			
Administration			
Salaries	9,806	-	9,806
Benefits	9,132	-	9,132
Purchased services	40	-	40
Supplies	936	-	936
	<u>19,914</u>	<u>-</u>	<u>19,914</u>
Operation and maintenance of plant			
Purchased services	1,563	-	1,563
Non-instructional programs			
Food service operations			
Salaries	113,660	-	113,660
Benefits	49,792	-	49,792
Purchased services	1,430	-	1,430
Supplies	213,993	-	213,993
Depreciation	11,704	-	11,704
	<u>390,579</u>	<u>-</u>	<u>390,579</u>
Total operating expenses	<u>412,056</u>	<u>54,352</u>	<u>466,408</u>
Operating loss	<u>(210,546)</u>	<u>(48,732)</u>	<u>(259,278)</u>
Non-operating revenue			
Interest income	1,108	-	1,108
State sources	4,964	-	4,964
Federal sources	178,012	-	178,012
Total non-operating revenue	<u>184,084</u>	<u>-</u>	<u>184,084</u>
Net loss before transfers	<u>(26,462)</u>	<u>(48,732)</u>	<u>(75,194)</u>
Transfers in	-	56,408	56,408
Net income (loss)	<u>(26,462)</u>	<u>7,676</u>	<u>(18,786)</u>
Net assets, beginning of year	<u>101,346</u>	<u>(51,033)</u>	<u>50,313</u>
Net assets, end of year	<u>\$ 74,884</u>	<u>\$(43,357)</u>	<u>\$ 31,527</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008

Schedule 5

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
Cash flows from operating activities			
Cash received from sale of services	\$ 201,510	\$ 5,620	\$ 207,130
Cash payments to employees for services	(182,332)	(61,301)	(243,633)
Cash payments to suppliers for goods and services	<u>(196,693)</u>	<u>(727)</u>	<u>(197,420)</u>
Net cash used in operating activities	<u>(177,515)</u>	<u>(56,408)</u>	<u>(233,923)</u>
Cash flows from non-capital financing activities			
Operating transfers from other fund	-	56,408	56,408
State grants received	4,964	-	4,964
Federal grants received	<u>155,074</u>	<u>-</u>	<u>155,074</u>
Net cash provided by non-capital financing activities	<u>160,038</u>	<u>56,408</u>	<u>216,446</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(3,547)</u>	<u>-</u>	<u>(3,547)</u>
Cash flows from investing activities			
Interest on investments	<u>1,108</u>	<u>-</u>	<u>1,108</u>
Net decrease in cash and cash equivalents	(19,916)	-	(19,916)
Cash and cash equivalents, beginning of year	<u>34,026</u>	<u>-</u>	<u>34,026</u>
Cash and cash equivalents, end of year	<u>\$ 14,110</u>	<u>\$ -</u>	<u>\$ 14,110</u>

Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$(210,546)	\$(48,732)	\$(259,278)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	11,704	-	11,704
Commodities used	22,767	-	22,767
(Increase) in inventory	(1,806)	-	(1,806)
Increase in accounts payable	308	-	308
(Decrease) in due to other funds	-	(7,576)	(7,576)
Increase (decrease) in accrued salaries and benefits	<u>58</u>	<u>(100)</u>	<u>(42)</u>
Net cash used in operating activities	<u>\$(177,515)</u>	<u>\$(56,408)</u>	<u>\$(233,923)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$22,767 of federal commodities.

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2008

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance, End of Year
Athletics	\$ 53,477	\$ 76,521	\$ 73,836	\$ 16,165	\$ 72,327
Middle school athletics	9,004	14,048	12,338	8,130	18,844
Beverage contract	11,325	4,837	3,608	-	12,554
Cheerleaders	3,361	-	856	-	2,505
Concessions	12,704	43,811	29,267	(28,102)	(854)
FFA	11,146	40,889	37,921	-	14,114
FFA Tractor Restoration	1,209	-	1,111	-	98
FFA Scholarship	350	850	550	-	650
FCCLA	1,065	4,517	4,185	-	1,397
Band	9,339	11,492	15,531	-	5,300
High school band resale	(2,283)	2,283	-	-	-
High school student council	9,486	14,128	18,392	-	5,222
Vocal music	2,468	13,060	10,953	-	4,575
National Honor Society	3,294	2,702	1,744	-	4,252
NHS Scholarships	-	750	750	-	-
Science club	-	444	70	-	374
Spanish club	-	150	132	-	18
Thespians	2,295	1,333	1,254	-	2,374
Yearbook	3,126	15,032	4,681	-	13,477
Business Professionals of America	6,321	784	10	-	7,095
Art club	1,862	740	615	-	1,987
SEEDS	373	300	-	-	673
High school account	1,382	7,606	-	3,515	12,503
Class of:					
2007	283	-	-	(283)	-
2008	842	1,224	1,259	(1,259)	(452)
2009	330	3,392	2,341	-	1,381
2010	192	192	1,075	1,541	850
2011	-	171	-	-	171
Middle school band	1,434	1,262	1,750	-	946
Middle school student council	1,588	5,126	7,772	1,444	386

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2008

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance, End of Year
Middle school account	\$ 27	\$ 101	\$ -	\$ -	\$ 128
Middle school student store	1,346	-	15	(1,331)	-
Middle school fundraiser	9,346	19,070	28,331	-	85
Middle School scholarship	683	-	-	-	683
Bulldog Bities Restaurant	156	185	262	-	79
Elementary	2,039	4,264	4,098	180	2,385
Elementary art	1,215	3,901	3,704	-	1,412
Interest	9,524	-	9,524	-	-
Totals	<u>\$ 170,309</u>	<u>\$ 295,165</u>	<u>\$ 277,935</u>	<u>\$ -</u>	<u>\$ 187,539</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS 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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues				
Local sources				
Local tax	\$3,825,239	\$4,151,862	\$4,022,781	\$3,973,148
Tuition	450,545	359,214	436,494	377,139
Other	556,153	743,492	642,149	455,373
State sources	4,340,322	4,051,480	3,666,552	3,641,209
Federal sources	157,961	195,416	175,681	232,064
Total revenues	<u>\$9,330,220</u>	<u>\$9,501,464</u>	<u>\$8,943,657</u>	<u>\$8,678,933</u>
Expenditures				
Current				
Instruction				
Regular	\$3,587,344	\$3,306,501	\$3,003,657	\$3,061,212
Special	997,712	911,008	915,070	845,138
Other	772,596	881,495	791,476	586,163
Support services				
Student	162,786	153,886	176,456	176,336
Instructional staff	270,028	265,487	298,285	95,705
Administration	704,316	712,645	649,963	765,701
Operation and maintenance of plant	597,762	587,349	504,097	444,312
Transportation	680,104	551,404	593,651	495,752
Central support services				
Non-instructional programs	14,647	3,686	1,202	3,396
Other expenditures				
Facilities acquisition	273,494	534,265	586,718	426,644
Long-term debt				
Principal	445,000	540,000	845,000	820,000
Interest and other charges	44,096	66,113	100,133	129,191
AEA flowthrough	295,944	281,342	255,956	253,380
Total expenditures	<u>\$8,845,829</u>	<u>\$8,795,181</u>	<u>\$8,721,664</u>	<u>\$8,102,930</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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

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

To the Board of Education
Mediapolis Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 19, 2009. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mediapolis Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Mediapolis Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Mediapolis Community School District's internal control over financial reporting.

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

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mediapolis Community School District and other parties to whom Mediapolis Community School District may report, 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 Mediapolis Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 19, 2009

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

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

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

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

Conclusion - Response accepted.

- B. Financial Statement Preparation - Financial statement preparation is the responsibility of the District. At the present time, District personnel do not have the skills necessary to prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

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 certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

- C. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The CAR reported incorrect amounts for income surtax receivable and deferred revenue in the Physical Plant and Equipment Levy Fund. These misstatements did not affect the fund balance on the CAR submitted to the Iowa Department of Education. However, the Capital Projects Fund included an error in the amount reported for accounts payable, which did affect the fund balance.

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

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

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the amount budgeted in the Non-instructional Programs function.

Recommendation - The certified budget was amended; however, not in a sufficient amount to ensure that actual expenditures were within the budgeted amounts.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

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

Conclusion - Response accepted.

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board. However, the minutes were not always published within two weeks of the board meeting as required by the Code of Iowa.

Recommendation - Chapter 279.35 of the Code of Iowa requires that minutes be made available to the publisher within two weeks of the board meeting. The District should ensure that the minutes are submitted to the newspaper on a timely basis in order to comply with the Code of Iowa.

Response - We will submit the minutes to the newspaper within two weeks of the board meeting in compliance with the Code of Iowa.

Conclusion - Response accepted.

7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however, I noted a material error affecting fund balances in the amounts reported.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

Recommendation - The District should correct the Capital Projects Fund beginning fund balance on the CAR filed for the year ending June 30, 2009 through an auditor's upward adjustment.

Response - We will make the correction to the fund balance, as recommended.

Conclusion - Response accepted.

10. Deficit Balance - The District had a net assets deficit of \$43,357 in the Preschool Fund at June 30, 2008.

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

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

Conclusion - Response accepted.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2008

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant