

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2008

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
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MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
James Hussey	Board President	2008
Patti Stutzman	Board Member	2007
Julie Miller	Board Member	2007
Randy Billups	Board Member	2008
Bonnie Nisly	Board Member	2008
Jack Dillon	Board Member	2009
Fred Lampe	Board Member	2009
(After September 2007 Election)		
James Hussey	Board President	2008
Randy Billups	Board Member	2008
Bonnie Nisly	Board Member	2008
Jack Dillon	Board Member	2009
Fred Lampe	Board Member	2009
Rob Stout	Board Member	2010
George Schaefer	Board Member	2010
School Officials		
Mark Schneider	Superintendent	2008
Douglas Slaubaugh	District Secretary/Business Manager	2008
Joseph Holland	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
Mid-Prairie Community School District

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

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

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

Because the Foundation's financial statements have not been audited, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the discretely presented component unit of the Mid-Prairie Community School District, as of and for the year ended June 30, 2008.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Mid-Prairie Community School District as of June 30, 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 March 31, 2009 on my consideration of Mid-Prairie Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mid-Prairie Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is also not a required part of the basic financial statements of Mid-Prairie Community School District. Schedules 1 through 6 and the Schedule of Federal Awards have been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 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
March 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mid-Prairie Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$10,359,065 in fiscal 2007 to \$11,385,259 in fiscal 2008, and General Fund expenditures increased from \$10,430,465 in fiscal 2007 to \$11,208,503 in fiscal 2008. The District's General Fund balance increased from \$542,044 in fiscal 2007 to \$719,751 in fiscal 2008, a 33% increase.
- The increase in General Fund revenues was attributable to an increase in local option tax and state and federal grant revenues in fiscal 2008. This was the second year of a three year Federal Arabic Grant and the district received \$141,223 this year. This is the first year of a three year Chinese Grant and the district received \$174,093. The district also received \$46,815 from the Riverside Casino Foundation. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, restricted grant expenditures, and technology related expenditures.
- USING THIS ANNUAL REPORT

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

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

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

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

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

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

of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

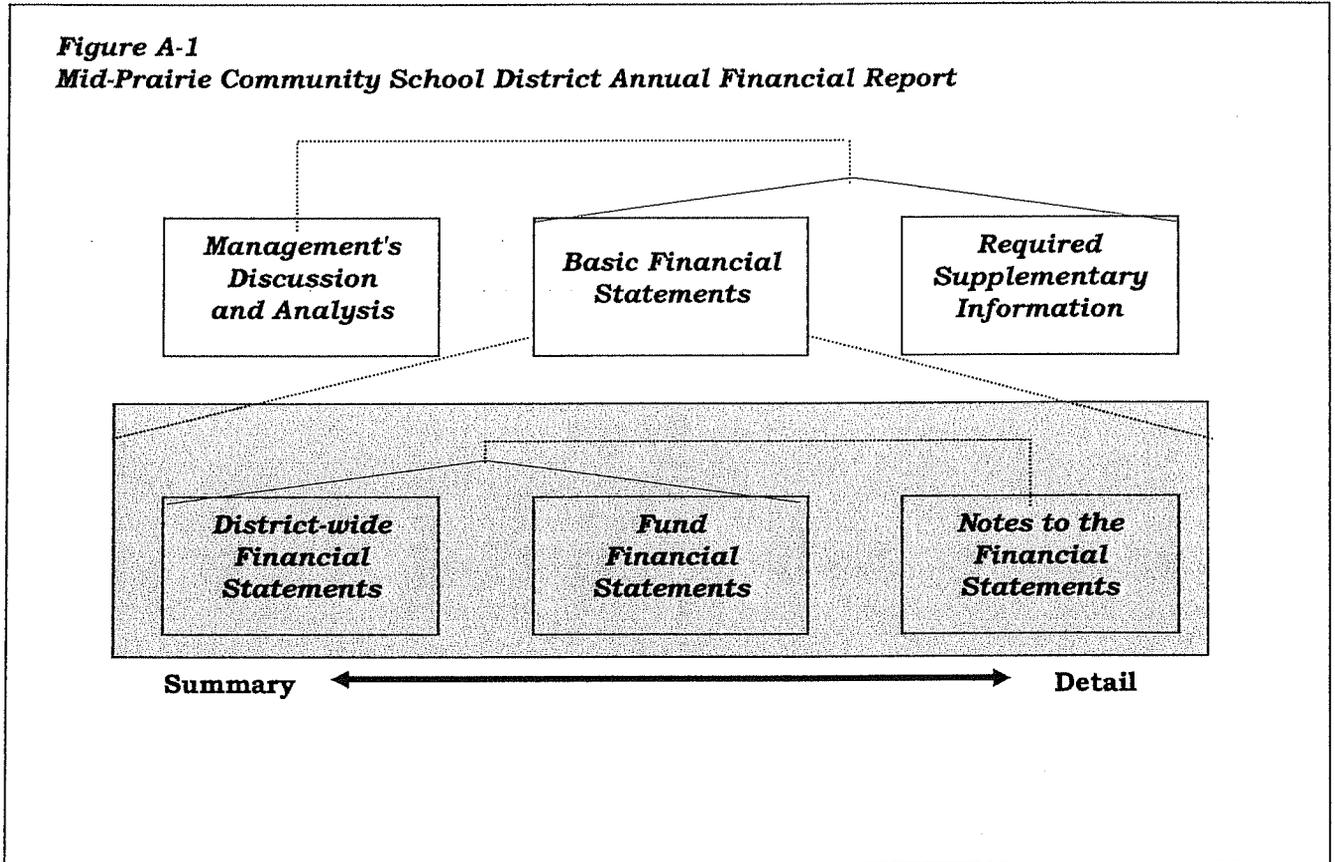


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide	Fund Statements	
	Statements	Governmental Funds	Proprietary Funds
Scope	Entire District	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 latchkey/daycare services
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in fund net assets
			• Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and latchkey daycare programs are included here.
- *Component Unit:* The component unit includes the activities of the Mid-Prairie Community School District Foundation. The District is financially accountable for the Foundation although it is legally separate from the District.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a statement of 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		Business Type		Total		Total Change
	Activities		Activities		School District		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Current and other assets	\$ 8,557,446	\$ 7,542,758	\$ 43,816	\$ 71,890	\$ 8,601,262	\$ 7,614,648	12.96%
Capital assets	<u>4,991,668</u>	<u>5,329,995</u>	<u>42,244</u>	<u>32,667</u>	<u>5,033,912</u>	<u>5,362,662</u>	-6.13%
Total assets	<u>13,549,114</u>	<u>12,872,753</u>	<u>86,060</u>	<u>104,557</u>	<u>13,635,174</u>	<u>12,977,310</u>	5.07%
Long-term liabilities	3,000,308	3,356,600	-	-	3,000,308	3,356,600	-10.61%
Other liabilities	<u>5,424,469</u>	<u>5,183,402</u>	<u>21,940</u>	<u>23,247</u>	<u>5,446,409</u>	<u>5,206,649</u>	4.60%
Total liabilities	<u>8,424,777</u>	<u>8,540,002</u>	<u>21,940</u>	<u>23,247</u>	<u>8,446,717</u>	<u>8,563,249</u>	-1.36%
Net assets							
Invested in capital assets, net of related debt	2,071,668	2,104,995	42,244	32,667	2,113,912	2,137,662	-1.11%
Restricted	2,337,411	1,685,712	-	-	2,337,411	1,685,712	38.66%
Unrestricted	<u>715,258</u>	<u>542,044</u>	<u>21,876</u>	<u>48,643</u>	<u>737,134</u>	<u>590,687</u>	24.79%
Total net assets	<u>\$ 5,124,337</u>	<u>\$ 4,332,751</u>	<u>\$ 64,120</u>	<u>\$ 81,310</u>	<u>\$ 5,188,457</u>	<u>\$ 4,414,061</u>	17.54%

The District's combined net assets increased by approximately 18%, or \$774,396, over the prior year. One 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 \$651,699, or approximately 39% over the prior year. The increase was primarily a result of unspent Local Option Sales Tax revenues that will be used to fund future infrastructure needs.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$146,447, or approximately 25%. This increase in unrestricted net assets was a result of the District receiving more revenue that was expended for general operations during the year.

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		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Revenues							
Program revenues							
Charges for services	\$ 1,505,958	\$ 1,394,152	\$ 308,831	\$ 291,559	\$ 1,814,789	\$ 1,685,711	7.66%
Operating grants and contributions	2,180,773	1,591,054	197,302	179,594	2,378,075	1,770,648	34.31%
General revenues							
Property tax	4,359,360	4,463,057	-	-	4,359,360	4,463,057	-2.32%
Local option sales and services tax	780,247	661,203	-	-	780,247	661,203	18.00%
Unrestricted state grants	4,665,686	4,534,682	-	-	4,665,686	4,534,682	2.89%
Unrestricted investment earnings	92,718	117,202	548	673	93,266	117,875	-20.88%
Contributions and donations	62,315	-	-	-	62,315	-	100.00%
Other	<u>20,555</u>	<u>18,772</u>	-	-	<u>20,555</u>	<u>18,772</u>	9.50%
Total revenues	<u>13,667,612</u>	<u>12,780,122</u>	<u>506,681</u>	<u>471,826</u>	<u>14,174,293</u>	<u>13,251,948</u>	6.96%
Program expenses							
Governmental activities							
Instruction	8,452,910	7,787,462	-	-	8,452,910	7,787,462	8.55%
Support services	3,082,850	2,993,108	-	-	3,082,850	2,993,108	3.00%
Non-instructional programs	-	-	539,281	474,125	539,281	474,125	13.74%
Other expenses	<u>1,318,569</u>	<u>1,333,988</u>	-	-	<u>1,318,569</u>	<u>1,333,988</u>	-1.16%
Total expenses	<u>12,854,329</u>	<u>12,114,558</u>	<u>539,281</u>	<u>474,125</u>	<u>13,393,610</u>	<u>12,588,683</u>	6.39%
Change in net assets before transfers							
and special item	813,283	665,564	(32,600)	(2,299)	780,683	663,265	-17.70%
Special item-loss on disposal of capital assets	(6,287)	-	-	-	(6,287)	-	100.00%
Transfers	<u>(15,410)</u>	<u>(8,055)</u>	<u>15,410</u>	<u>8,055</u>	-	-	0.00%
Change in net assets	<u>\$ 791,586</u>	<u>\$ 657,509</u>	<u>\$ (17,190)</u>	<u>\$ 5,756</u>	<u>\$ 774,396</u>	<u>\$ 663,265</u>	-16.76%

In fiscal 2008, property tax and unrestricted state grants account for approximately 64% of the revenue from governmental activities while charges for service and operating grants and contributions account for approximately 99% of the revenue from business type activities.

The District's total revenues were \$14,174,293 of which \$13,667,612 was for governmental activities and \$506,681 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7% increase in revenues and a 6% increase in expenses. Unrestricted state grants increased \$131,004 and local option sales and service tax increased \$119,044 to fund increases in expenses. The increase in expenses related to increases in the negotiated salary and benefits, textbook purchases, utility increases, technology related expenses as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$13,667,612 and expenses were \$12,854,329 for the year ended June 30, 2008. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, 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	\$ 8,452,910	\$ 7,787,462	8.5%	\$ 5,242,580	\$ 5,314,098	-1.3%
Support services	3,082,850	2,993,108	3.0%	3,021,273	2,908,665	3.9%
Non-instructional programs	-	-	0.0%	(750)	(30,263)	97.5%
Other expenses	<u>1,318,569</u>	<u>1,333,988</u>	-1.2%	<u>904,495</u>	<u>936,852</u>	-3.5%
Total expenses	<u>\$ 12,854,329</u>	<u>\$ 12,114,558</u>	6.1%	<u>\$ 9,167,598</u>	<u>\$ 9,129,352</u>	0.4%

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$1,505,958.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,180,773.
- The net cost of governmental activities was financed with \$4,359,360 in property taxes and \$4,665,686 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2008 were \$506,681 representing a 7% increase over the prior year while expenses were \$539,281, a 14% increase over the prior year. The District's business type activities include the School Nutrition Fund and Latchkey Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2008, the District increased meal prices by ten cents per meal. This increase resulted in increased revenue to the School Nutrition Fund which the District used to fund increases in salaries and benefits. Increased food costs were the main reason expenses grew so much in the nutrition fund.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,881,132, well above last year's ending fund balance of \$2,108,385. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to carry over fund balance of the Capital Projects Fund which increased from \$1,057,232 in 2007 to \$1,478,643 in 2008. The capital project fund will be used for the Middle School roof, the Kalona Elementary chiller, and the High School elevator.

Governmental Fund Highlights

- The increase in expenditures was more than offset by the District's increase in General Fund revenues eliminating the need for the District to use carryover fund balances to meet its financial obligations during the year.
- The General Fund balance increased from \$542,044 in 2007 to \$719,751 in 2008, due in part to the increase in unrestricted state grants exceeding the increase in negotiated salary and benefits settlement and existing expenditure commitments of the District. The district still maintains a solvency ratio in the acceptable range, but has set a goal to increase the fund balance in future years.
- The Capital Projects Fund balance increased from \$1,057,232 in 2007 to \$1,478,643 in 2008 due to continued collection of revenue from the local option sales and services tax, which will be used to fund future infrastructure needs.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$81,310 at June 30, 2007 to \$64,120 at June 30, 2008, representing a decrease of approximately 21%. The net asset decrease was attributed to increases in salaries and benefits and food costs.

BUDGETARY HIGHLIGHTS

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

The District's revenues were \$922,498 more than budgeted revenues, a variance of approximately 7%. The most significant variance resulted from the District receiving more in local option sales and services tax, unrestricted state grants and tuition than budgeted.

Total expenditures were \$1,785,915 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$5,033,912, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 6% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$367,232.

The original cost of the District's capital assets was \$13,723,607. Governmental funds account for \$13,614,887, with the remainder of \$108,720 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category, which decreased from \$393,833 in 2007 to \$302,616 in 2008. This decrease was due to the annual depreciation expense exceeding the cost of furniture and equipment purchased during the year ended June 30, 2008.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Land	\$ 127,851	\$ 127,851	\$ -	\$ -	\$ 127,851	\$ 127,851	0.00%
Buildings and improvements	4,603,445	4,840,978	-	-	4,603,445	4,840,978	-4.91%
Improvements, other than buildings	-	-	-	-	-	-	0.00%
Furniture and equipment	<u>260,372</u>	<u>361,166</u>	<u>42,244</u>	<u>32,667</u>	<u>302,616</u>	<u>393,833</u>	-23.16%
Totals	<u>\$4,991,668</u>	<u>\$5,329,995</u>	<u>\$42,244</u>	<u>\$32,667</u>	<u>\$5,033,912</u>	<u>\$5,362,662</u>	-6.13%

Long-Term Debt

At June 30, 2008, the District had \$3,000,308 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 11% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total School District		Total Change
	2008	2007	2007-2008
General obligation bonds	\$ 2,920,000	\$ 3,225,000	-9.46%
Early retirement	<u>80,308</u>	<u>131,600</u>	-38.98%
Total	<u>\$ 3,000,308</u>	<u>\$ 3,356,600</u>	-10.61%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Local Option Sales Tax was approved and revenues which began in January, 2007. The Board will retain some of the revenues for capital purchases from LOST and use some for property tax relief.
- The district property tax levy rate is one of the lowest in the area. With the increased value of farmland, the property tax valuation in the district should remain stable for the next few years. The instructional support levy for 2010 was passed by the voters for ten years to put the district in a better financial position by funding technology, health services, and curriculum materials.
- The settlement of staff salaries and benefits will use almost all of the allowable growth for 2010. The district may have to use its reserves to fund additional expenditures for employee costs, fuel, and utility increases.
- The budget enrollment for the 2010 budget year decreased from 1,248.2 students to 1,212 students. The main reason was a decrease in funding for the Home School Assistance Program students from .6 to .3.

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

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

Basic Financial Statements

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit Foundation</u>
Assets				
Cash and cash equivalents	\$3,721,939	\$ 36,796	\$3,758,735	\$ 5,576
Investments	-	-	-	363,771
Receivables				
Property tax				
Delinquent	56,616	-	56,616	-
Succeeding year	4,265,175	-	4,265,175	-
Income surtax	261,781	-	261,781	-
Due from other governments	251,935	-	251,935	-
Inventories	-	7,020	7,020	-
Non-depreciable capital assets	127,851	-	127,851	-
Capital assets, net of accumulated depreciation	<u>4,863,817</u>	<u>42,244</u>	<u>4,906,061</u>	-
Total assets	<u>13,549,114</u>	<u>86,060</u>	<u>13,635,174</u>	<u>369,347</u>
Liabilities				
Accounts payable	125,700	221	125,921	-
Salaries and benefits payable	998,179	21,719	1,019,898	-
Accrued interest payable	9,936	-	9,936	-
Deferred revenue				
Succeeding year property tax	4,265,175	-	4,265,175	-
Other	25,479	-	25,479	-
Long-term liabilities				
Portion due within one year				
General obligation bonds payable	315,000	-	315,000	-
Early retirement payable	51,292	-	51,292	-
Portion due after one year				
General obligation bonds payable	2,605,000	-	2,605,000	-
Early retirement payable	29,016	-	29,016	-
Total liabilities	<u>8,424,777</u>	<u>21,940</u>	<u>8,446,717</u>	<u>-</u>

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit Foundation</u>
Net Assets				
Invested in capital assets, net of related debt	\$2,071,668	\$ 42,244	\$2,113,912	\$ -
Restricted for				
Management levy	165,816	-	165,816	-
Physical plant and equipment levy	641,757	-	641,757	-
Other special revenue purposes	51,195	-	51,195	-
Capital projects	1,478,643	-	1,478,643	-
Donor- approved programs	-	-	-	361,815
Unrestricted	<u>715,258</u>	<u>21,876</u>	<u>737,134</u>	<u>7,532</u>
Total net assets	<u><u>\$5,124,337</u></u>	<u><u>\$ 64,120</u></u>	<u><u>\$5,188,457</u></u>	<u><u>\$ 369,347</u></u>

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions/Programs Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Contributions and Restricted Interest	Primary Government	
Governmental activities						
Instruction						
Regular instruction	\$ 5,999,292	\$1,489,331	\$ 865,512	\$ -	\$ (3,644,449)	\$ (3,644,449)
Special instruction	1,469,061	-	823,941	-	(645,120)	(645,120)
Other instruction	984,557	-	31,546	-	(953,011)	(953,011)
	8,452,910	1,489,331	1,720,999	-	(5,242,580)	(5,242,580)
Support services						
Student	223,047	-	-	-	(223,047)	(223,047)
Instructional staff	436,973	-	-	-	(436,973)	(436,973)
Administration	926,113	-	-	-	(926,113)	(926,113)
Operation and maintenance of plant	905,612	7,316	-	-	(898,296)	(898,296)
Transportation	591,105	8,561	45,700	-	(536,844)	(536,844)
	3,082,850	15,877	45,700	-	(3,021,273)	(3,021,273)
Non-instructional programs	-	750	-	-	750	750
Other expenses						
Facilities acquisition	540,044	-	-	-	(540,044)	(540,044)
Long-term debt interest	126,918	-	-	-	(126,918)	(126,918)
AEA flowthrough	414,074	-	414,074	-	-	-
Depreciation (unallocated) *	237,533	-	-	-	(237,533)	(237,533)
	1,318,569	-	414,074	-	(904,495)	(904,495)
Total governmental activities	12,854,329	1,505,958	2,180,773	-	(9,167,598)	(9,167,598)

See notes to financial statements.

MID-PRAIRIE 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		Component Unit
	Expenses	Charges for Services	Operating Grants, Capital Grants, Contributions and Restricted Interest	Primary Government	Total	
<u>Functions/Programs (continued)</u>						
Primary Government (continued)						
Business type activities						
Non-instructional programs						
Food service operations	\$ 517,147	\$ 285,468	\$ 197,302	\$ (34,377)	\$ (34,377)	
Latchkey/daycare program	22,134	23,363	-	1,229	1,229	
Total business type activities	539,281	308,831	197,302	(33,148)	(33,148)	
Total primary government	<u>\$13,393,610</u>	<u>\$1,814,789</u>	<u>\$2,378,075</u>	<u>(33,148)</u>	<u>(9,200,746)</u>	
Component Unit						
Foundation	<u>\$ 76,308</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ (76,308)</u>
<u>General Revenues</u>						
Property tax levied for						
General purposes				3,474,979	3,474,979	
Debt service				377,865	377,865	
Capital outlay				506,516	506,516	
Local option sales and services tax				780,247	780,247	
Unrestricted state grants				4,665,686	4,665,686	
Contributions and donations				62,315	62,315	238,151
Unrestricted investment earnings				92,718	93,266	2,813
Increase in fair value of investments				-	-	21,419
Other				20,555	20,555	
Special item - loss on disposal of capital assets				(6,287)	(6,287)	
Transfers				(15,410)	-	
Total general revenues, special items and transfers				<u>9,959,184</u>	<u>9,975,142</u>	<u>262,383</u>
Change in net assets				791,586	774,396	186,075
Net assets, beginning of year				4,332,751	4,414,061	183,272
Net assets, end of year				<u>\$ 5,124,337</u>	<u>\$ 5,188,457</u>	<u>\$ 369,347</u>

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

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments				
Other	\$1,627,803	\$1,407,666	\$ 686,470	\$3,721,939
Receivables				
Property tax				
Delinquent	45,549	-	11,067	56,616
Succeeding year	3,479,009	-	786,166	4,265,175
Income surtax	-	-	261,781	261,781
Due from other governments	180,958	70,977	-	251,935
Total assets and other debits	<u>\$5,333,319</u>	<u>\$1,478,643</u>	<u>\$ 1,745,484</u>	<u>\$8,557,446</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 110,901	\$ -	\$ 14,799	\$ 125,700
Salaries and benefits payable	998,179	-	-	998,179
Deferred revenue				
Succeeding year property tax	3,479,009	-	786,166	4,265,175
Income surtax	-	-	261,781	261,781
Other	25,479	-	-	25,479
Total liabilities	<u>4,613,568</u>	<u>-</u>	<u>1,062,746</u>	<u>5,676,314</u>
Fund balances				
Reserved for				
Debt service	-	-	5,443	5,443
Talented and Gifted program	4,448	-	-	4,448
Drop Out Prevention program	35,149	-	-	35,149
Professional Development program	37,085	-	-	37,085
Market Factor program	2,700	-	-	2,700
Unreserved				
Designated for				
Student programs	59,852	-	51,195	111,047
Undesignated, governmental funds	580,517	1,478,643	-	2,059,160
Undesignated, special revenue funds	-	-	626,100	626,100
Total fund balances	<u>719,751</u>	<u>1,478,643</u>	<u>682,738</u>	<u>2,881,132</u>
Total liabilities and fund balances	<u>\$5,333,319</u>	<u>\$1,478,643</u>	<u>\$ 1,745,484</u>	<u>\$8,557,446</u>

See notes to financial statements.

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

Exhibit D

Total fund balances of governmental funds	\$2,881,132
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.	4,991,668
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	261,781
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,936)
Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,000,308)</u>
Net assets of governmental activities	<u><u>\$5,124,337</u></u>

See notes to financial statements.

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

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$3,248,103	\$ 780,247	\$ 1,109,494	\$5,137,844
Tuition	984,572	-	-	984,572
Other	304,710	26,823	364,489	696,022
State sources	5,989,202	-	349	5,989,551
Federal sources	858,672	-	-	858,672
Total revenues	<u>11,385,259</u>	<u>807,070</u>	<u>1,474,332</u>	<u>13,666,661</u>
Expenditures				
Current				
Instruction				
Regular	5,904,713	-	143,458	6,048,171
Special	1,469,061	-	-	1,469,061
Other	658,100	-	326,457	984,557
	<u>8,031,874</u>	<u>-</u>	<u>469,915</u>	<u>8,501,789</u>
Support services				
Student	223,047	-	-	223,047
Instructional staff	361,446	75,527	-	436,973
Administration	926,113	-	-	926,113
Operation and maintenance of plant	782,696	-	125,177	907,873
Transportation	469,253	-	23,298	492,551
	<u>2,762,555</u>	<u>75,527</u>	<u>148,475</u>	<u>2,986,557</u>
Other expenditures				
Facilities acquisition	-	307,132	237,111	544,243
Long-term debt				
Principal	-	-	305,000	305,000
Interest and fiscal charges	-	-	127,792	127,792
AEA flowthrough	414,074	-	-	414,074
	<u>414,074</u>	<u>307,132</u>	<u>669,903</u>	<u>1,391,109</u>
Total expenditures	<u>11,208,503</u>	<u>382,659</u>	<u>1,288,293</u>	<u>12,879,455</u>

See notes to financial statements.

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

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess of revenues over expenditures	\$ 176,756	\$ 424,411	\$ 186,039	\$ 787,206
Other financing sources (uses)				
Sale of equipment and materials	951	-	-	951
Interfund operating transfers in	-	-	3,000	3,000
Interfund operating transfers (out)	-	(3,000)	(15,410)	(18,410)
Total other financing sources (uses)	<u>951</u>	<u>(3,000)</u>	<u>(12,410)</u>	<u>(14,459)</u>
Net change in fund balances	177,707	421,411	173,629	772,747
Fund balance, beginning of year	<u>542,044</u>	<u>1,057,232</u>	<u>509,109</u>	<u>2,108,385</u>
Fund balance, end of year	<u>\$ 719,751</u>	<u>\$1,478,643</u>	<u>\$ 682,738</u>	<u>\$2,881,132</u>

See notes to financial statements.

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

Exhibit F

Net change in fund balances - total governmental funds \$772,747

**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	\$ 29,359	
Loss on disposal of capital assets	(6,287)	
Depreciation expense	<u>(361,399)</u>	(338,327)

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. 305,000

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	51,292
------------------	--------

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. 874

Change in net assets of governmental activities \$791,586

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2008

Exhibit G

	Business Type
	<u>Activities</u>
	Nonmajor
	<u>Enterprise</u>
Assets	
Cash and pooled investments	\$ 36,796
Inventories	7,020
Capital assets, net of accumulated depreciation	<u>42,244</u>
Total assets	<u>86,060</u>
 Liabilities	
Accounts payable	221
Salaries and benefits payable	<u>21,719</u>
Total liabilities	<u>21,940</u>
 Net Assets	
Invested in capital assets	42,244
Unrestricted	<u>21,876</u>
Total net assets	<u><u>\$ 64,120</u></u>

See notes to financial statements.

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

Exhibit H

	Business Type <u>Activities</u>
	<u>Nonmajor</u>
	<u>Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$308,831</u>
Operating expenses	
Non-instructional programs	
Salaries and benefits	191,403
Benefits	34,557
Purchased services	4,846
Supplies	302,642
Depreciation	<u>5,833</u>
Total operating expenses	<u>539,281</u>
Operating loss	<u>(230,450)</u>
Non-operating revenues	
Interest income	548
State sources	5,348
Federal sources	<u>191,954</u>
Total non-operating revenues	<u>197,850</u>
Net loss before transfers	(32,600)
Transfer in	<u>15,410</u>
Net loss	(17,190)
Net assets, beginning of year	<u>81,310</u>
Net assets, end of year	<u>\$ 64,120</u>

See notes to financial statements.

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

Exhibit I

	Business Type <u>Activities</u> Nonmajor <u>Enterprise</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 308,831
Cash payments to employees for services	(227,488)
Cash payments to suppliers for goods and services	<u>(282,343)</u>
Net cash used in operating activities	<u>(201,000)</u>
Cash flows from non-capital financing activities	
State grants received	5,348
Federal grants received	<u>165,871</u>
Net cash provided by non-capital financing activities	<u>171,219</u>
Cash flows from capital and related financing activities	
Transfer from other fund	15,410
Acquisition of equipment	<u>(15,410)</u>
Net cash provided by capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>548</u>
Net decrease in cash and cash equivalents	(29,233)
Cash and cash equivalents, beginning of year	<u>66,029</u>
Cash and cash equivalents, end of year	<u><u>\$ 36,796</u></u>

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

Operating loss	\$(230,450)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,833
Commodities used	26,083
(Increase) in inventory	(1,159)
Increase in accounts payable	221
(Decrease) in accrued salaries and benefits	<u>(1,528)</u>
Net cash used in operating activities	<u><u>\$(201,000)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2008, the District received \$26,083 of federal commodities.

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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	40 years
Improvements to buildings	10 years
Furniture and equipment	5-12 years

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

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

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

receivable and income surtaxes not collected within sixty days after year end.

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

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

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

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

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

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$807,573 of restricted net assets which is restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 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>\$ 1,392,796</u>

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

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

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

Mutual funds \$363,771

Note 3. 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	\$ 3,000
Non-major special revenue	Non-major enterprise	<u>15,410</u>
		<u>\$ 18,410</u>

The transfer was for School Nutrition Fund equipment purchased during the year ended June 30, 2008, which was paid from the PPEL fund. The transfer from the Capital Projects Fund to the Debt Service Fund is to move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Capital Assets

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

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 127,851	\$ -	\$ -	\$ 127,851
Capital assets being depreciated:				
Buildings and improvements	11,271,139	-	-	11,271,139
Improvements other than buildings	303,011	-	-	303,011
Furniture and equipment	<u>1,894,527</u>	<u>29,359</u>	<u>(11,000)</u>	<u>1,912,886</u>
Total capital assets being depreciated	<u>13,468,677</u>	<u>29,359</u>	<u>(11,000)</u>	<u>13,487,036</u>
Less accumulated depreciation for:				
Buildings and improvements	6,430,161	237,533	-	6,667,694
Improvements other than buildings	303,011	-	-	303,011
Furniture and equipment	<u>1,533,361</u>	<u>123,866</u>	<u>(4,713)</u>	<u>1,652,514</u>
Total accumulated depreciation	<u>8,266,533</u>	<u>361,399</u>	<u>(4,713)</u>	<u>8,623,219</u>
Total capital assets being depreciated, net	<u>5,202,144</u>	<u>(332,040)</u>	<u>(6,287)</u>	<u>4,863,817</u>
Governmental activities capital assets, net	<u>\$ 5,329,995</u>	<u>\$(332,040)</u>	<u>\$ (6,287)</u>	<u>\$ 4,991,668</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 100,776	\$ 15,410	\$ (7,466)	\$ 108,720
Less accumulated depreciation	<u>(68,109)</u>	<u>(5,833)</u>	<u>7,466</u>	<u>(66,476)</u>
Business type activities capital assets, net	<u>\$ 32,667</u>	<u>\$ 9,577</u>	<u>\$ -</u>	<u>\$ 42,244</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 8,773
Support services	
Operation and maintenance of plant	10,739
Transportation	104,354
Unallocated depreciation	<u>237,533</u>
Total governmental activities depreciation expense	<u>\$ 361,399</u>

Business type activities

Food services	<u>\$ 5,833</u>
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Note 5. 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
General obligation bonds	\$ 3,225,000	\$ -	\$(305,000)	\$ 2,920,000	\$ 315,000
Early retirement	<u>131,600</u>	<u>-</u>	<u>(51,292)</u>	<u>80,308</u>	<u>51,292</u>
Totals	<u>\$ 3,356,600</u>	<u>\$ -</u>	<u>\$(356,292)</u>	<u>\$ 3,000,308</u>	<u>\$ 366,292</u>

Interest costs incurred and charged to expense on all long-term debt was \$126,918 for the year ended June 30, 2008. During the year ended June 30, 2008, the District made principal payments on total long-term debt of \$305,000.

Early Retirement Termination Benefit

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five years of age and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement plan was eliminated as of July 1, 2006. Currently there are nine individuals receiving the benefit. Early retirement benefits paid during the year ended June 30, 2008 totaled \$51,292.

General Obligation Bonds

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2002			
	Interest Rates	Principal	Interest	Total
2009	3.5-3.65%	\$ 315,000	\$ 116,523	\$ 431,523
2010	3.65-3.85%	330,000	104,868	434,868
2011	3.85-4.0%	335,000	92,429	427,429
2012	4.0-4.05%	350,000	78,952	428,952
2013	4.05-4.2%	365,000	64,721	429,721
2014-2016	4.2-4.5%	<u>1,225,000</u>	<u>94,931</u>	<u>1,319,931</u>
Total		<u>\$ 2,920,000</u>	<u>\$ 552,424</u>	<u>\$ 3,472,424</u>

Note 6. Pension and Retirement Benefits

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

Plan members 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 \$429,068, \$372,257 and \$361,518 respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$414,074 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 9. 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

MID-PRAIRIE 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	\$ 6,818,438		\$309,379		\$ 7,127,817	\$6,726,031	\$6,726,031	\$ 401,786
State sources	5,989,551		5,348		5,994,899	5,649,813	5,649,813	345,086
Federal sources	858,672		191,954		1,050,626	875,000	875,000	175,626
Total revenues	<u>13,666,661</u>		<u>506,681</u>		<u>14,173,342</u>	<u>13,250,844</u>	<u>13,250,844</u>	<u>922,498</u>
Expenditures/Expenses								
Instruction	8,501,789		-		8,501,789	8,346,000	8,650,000	148,211
Support services	2,986,557		-		2,986,557	3,279,084	3,350,000	363,443
Non-instructional programs	-		539,281		539,281	545,000	545,000	5,719
Other expenditures	1,391,109		-		1,391,109	2,659,651	2,659,651	1,268,542
Total expenditures/expenses	<u>12,879,455</u>		<u>539,281</u>		<u>13,418,736</u>	<u>14,829,735</u>	<u>15,204,651</u>	<u>1,785,915</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	787,206		(32,600)		754,606	(1,578,891)	(1,953,807)	2,708,413
Net other financing sources	(14,459)		15,410		951	-	-	951
Net change in fund balance	772,747		(17,190)		755,557	(1,578,891)	(1,953,807)	2,709,364
Balance, beginning of year	2,108,385		81,310		2,189,695	2,068,365	2,068,365	121,330
Balance, end of year	<u>\$ 2,881,132</u>		<u>\$ 64,120</u>		<u>\$ 2,945,252</u>	<u>\$ 489,474</u>	<u>\$ 114,558</u>	<u>\$ 2,830,694</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 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 \$374,916.

Other Supplementary Information

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

Schedule 1

	Special Revenue				
	Management	Student	Physical Plant and Equipment	Debt	Total
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	<u> </u>
Assets					
Cash and pooled investments	\$242,964	\$57,227	\$386,028	\$ 251	\$ 686,470
Receivables					
Property tax					
Delinquent	3,160	-	2,715	5,192	11,067
Succeeding year	215,000	-	194,642	376,524	786,166
Income surtax	-	-	261,781	-	261,781
Total assets	<u>\$461,124</u>	<u>\$57,227</u>	<u>\$845,166</u>	<u>\$381,967</u>	<u>\$1,745,484</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 6,032	\$ 8,767	\$ -	\$ 14,799
Deferred revenue					
Succeeding year property tax	215,000	-	194,642	376,524	786,166
Income surtax	-	-	261,781	-	261,781
Total liabilities	<u>215,000</u>	<u>6,032</u>	<u>465,190</u>	<u>376,524</u>	<u>1,062,746</u>
Fund balances					
Reserved for debt service	-	-	-	5,443	5,443
Unreserved					
Designated for student activities	-	51,195	-	-	51,195
Undesignated fund balances	246,124	-	379,976	-	626,100
Total fund balances	<u>246,124</u>	<u>51,195</u>	<u>379,976</u>	<u>5,443</u>	<u>682,738</u>
Total liabilities and fund balances	<u>\$461,124</u>	<u>\$57,227</u>	<u>\$845,166</u>	<u>\$381,967</u>	<u>\$1,745,484</u>

See accompanying Independent Auditor's Report.

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

Schedule 2

Revenues	Special Revenue				Total
	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Debt <u>Service</u>	
Local sources					
Local taxes	\$ 225,364	\$ -	\$506,430	\$377,700	\$1,109,494
Other	22,271	332,945	5,814	3,459	364,489
State sources	98	-	86	165	349
Total revenues	247,733	332,945	512,330	381,324	1,474,332
Expenditures					
Current					
Instruction					
Regular	55,216	-	88,242	-	143,458
Other	-	326,457	-	-	326,457
Total instruction	55,216	326,457	88,242	-	469,915
Support services					
Operation and maintenance of plant	125,177	-	-	-	125,177
Transportation	17,498	-	5,800	-	23,298
Total support services	142,675	-	5,800	-	148,475
Other expenditures					
Facilities acquisition	-	-	237,111	-	237,111
Long-term debt					
Principal	-	-	-	305,000	305,000
Interest and fiscal charges	-	-	-	127,792	127,792
Total other expenditures	-	-	237,111	432,792	669,903
Total expenditures	197,891	326,457	331,153	432,792	1,288,293
Excess (deficiency) of revenues over (under) expenditures	49,842	6,488	181,177	(51,468)	186,039
Other financing sources (uses)					
Interfund operating transfers in	-	-	-	3,000	3,000
Interfund operating transfers (out)	-	-	(15,410)	-	(15,410)
Total other financing sources (uses)	-	-	(15,410)	3,000	(12,410)
Net change in fund balances	49,842	6,488	165,767	(48,468)	173,629
Fund balances, beginning of year	196,282	44,707	214,209	53,911	509,109
Fund balances, end of year	\$ 246,124	\$ 51,195	\$379,976	\$ 5,443	\$ 682,738

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2008

Schedule 3

	<u>School Nutrition</u>	<u>Latchkey Daycare</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$35,161	\$ 1,635	\$ 36,796
Inventories	7,020	-	7,020
Capital assets, net of accumulated depreciation	<u>42,244</u>	<u>-</u>	<u>42,244</u>
Total assets	<u>84,425</u>	<u>1,635</u>	<u>86,060</u>
Liabilities			
Accounts payable	160	61	221
Salaries and benefits payable	<u>21,719</u>	<u>-</u>	<u>21,719</u>
Total liabilities	<u>21,879</u>	<u>61</u>	<u>21,940</u>
Net Assets			
Invested in capital assets	42,244	-	42,244
Unrestricted	<u>20,302</u>	<u>1,574</u>	<u>21,876</u>
Total net assets	<u>\$62,546</u>	<u>\$ 1,574</u>	<u>\$ 64,120</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE 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

	School <u>Nutrition</u>	Latchkey <u>Daycare</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	<u>\$ 285,468</u>	<u>\$23,363</u>	<u>\$308,831</u>
 Operating expenses			
Non-instructional programs			
Salaries	173,294	18,109	191,403
Benefits	32,612	1,945	34,557
Purchased services	4,846	-	4,846
Supplies	300,562	2,080	302,642
Depreciation	<u>5,833</u>	<u>-</u>	<u>5,833</u>
Total operating expenses	<u>517,147</u>	<u>22,134</u>	<u>539,281</u>
 Operating income (loss)	<u>(231,679)</u>	<u>1,229</u>	<u>(230,450)</u>
 Non-operating revenue			
Interest income	539	9	548
State sources	5,348	-	5,348
Federal sources	<u>191,954</u>	<u>-</u>	<u>191,954</u>
Total non-operating revenue	<u>197,841</u>	<u>9</u>	<u>197,850</u>
 Net income (loss) before transfer	<u>(33,838)</u>	<u>1,238</u>	<u>(32,600)</u>
Transfer in	<u>15,410</u>	<u>-</u>	<u>15,410</u>
Net income (loss)	<u>(18,428)</u>	<u>1,238</u>	<u>(17,190)</u>
Net assets, beginning of year	<u>80,974</u>	<u>336</u>	<u>81,310</u>
 Net assets, end of year	<u>\$ 62,546</u>	<u>\$ 1,574</u>	<u>\$ 64,120</u>

See accompanying Independent Auditor's Report.

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

Schedule 5

	<u>School</u> <u>Nutrition</u>	<u>Latchkey</u> <u>Daycare</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 285,468	\$23,363	\$ 308,831
Cash payments to employees for services	(207,434)	(20,054)	(227,488)
Cash payments to suppliers for goods and services	<u>(280,324)</u>	<u>(2,019)</u>	<u>(282,343)</u>
Net cash provided by (used in) operating activities	<u>(202,290)</u>	<u>1,290</u>	<u>(201,000)</u>
 Cash flows from non-capital financing activities			
State grants received	5,348	-	5,348
Federal grants received	<u>165,871</u>	<u>-</u>	<u>165,871</u>
Net cash provided by non-capital financing activities	<u>171,219</u>	<u>-</u>	<u>171,219</u>
 Cash flows from capital and related financing activities			
Transfer from other fund	15,410	-	15,410
Acquisition of equipment	<u>(15,410)</u>	<u>-</u>	<u>(15,410)</u>
Net cash provided by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
 Cash flows from investing activities			
Interest on investments	<u>539</u>	<u>9</u>	<u>548</u>
Net increase (decrease) in cash and cash equivalents	(30,532)	1,299	(29,233)
Cash and cash equivalents, beginning of year	<u>65,693</u>	<u>336</u>	<u>66,029</u>
Cash and cash equivalents, end of year	<u>\$ 35,161</u>	<u>\$ 1,635</u>	<u>\$ 36,796</u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$(231,679)	\$ 1,229	\$(230,450)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	5,833	-	5,833
Commodities used	26,083	-	26,083
(Increase) in inventory	(1,159)	-	(1,159)
Increase in accounts payable	160	61	221
(Decrease) in accrued salaries and benefits	<u>(1,528)</u>	<u>-</u>	<u>(1,528)</u>
Net cash provided by (used in) operating activities	<u>\$(202,290)</u>	<u>\$ 1,290</u>	<u>\$(201,000)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$26,083 of federal commodities.

See accompanying Independent Auditor's Report.

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

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Drama Workshop	\$ 8,699	\$ 23,311	\$ 22,665	\$ -	\$ 9,345
All Athletics	569	94,229	171,879	78,125	1,044
Athletic (Donations)	2,646	73,454	-	(76,100)	-
EIHC	2,852	3,350	4,176	(2,026)	-
Annual	963	8,193	5,732	-	3,424
Fundraising	2,457	1,837	1,249	-	3,045
Class of 2003	1,403	-	-	(1,403)	-
Class of 2004	309	-	-	(309)	-
Class of 2005	1,200	-	-	(1,200)	-
Class of 2006	271	-	-	-	271
Class of 2007	1,036	-	218	-	818
Class of 2008	4,139	2,655	5,346	-	1,448
Class of 2009	-	13,435	9,806	-	3,629
Renaissance	(337)	3,778	4,633	2,913	1,721
Post Prom	1,574	7,901	7,998	-	1,477
FFA	192	27,506	24,591	-	3,107
Librarians Club	625	-	-	-	625
Miscellaneous	5,522	3,417	2,506	-	6,433
Newspaper	92	-	-	-	92
Athletic Resale (Baseball)	-	698	698	-	-
Athletic Resale (Boys Basketball)	69	16,856	16,040	-	885
Athletic Resale (Girls Basketball)	521	6,249	6,692	-	78
Athletic Resale (Football)	977	8,550	8,657	-	870
Athletic Resale (Girl Golf)	-	475	475	-	-
Athletic Resale (Boys Golf)	-	2,084	2,084	-	-
Athletic Resale (Cross Country)	-	764	764	-	-
Athletic Resale (Boys Track)	28	6,468	5,028	-	1,468
Athletic Resale (Volleyball)	-	6,681	6,541	-	140
Athletic Resale (Wrestling)	-	533	533	-	-
Soda Club	2,199	-	-	-	2,199
FCCLA (McDowell)	1,157	9,442	9,898	-	701
High School Student Council	4,153	9,951	7,359	-	6,745
Wellness	1,391	1,128	889	-	1,630
Totals	<u>\$ 44,707</u>	<u>\$ 332,945</u>	<u>\$ 326,457</u>	<u>\$ -</u>	<u>\$ 51,195</u>

See accompanying Independent Auditor's Report.

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

Schedule 7

	Modified Accrual Basis			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues				
Local sources				
Local tax	\$ 5,137,844	\$ 4,860,705	\$ 4,456,303	\$ 4,024,532
Tuition	984,572	894,017	692,869	627,395
Other	696,022	674,764	559,225	521,031
State sources	5,989,551	5,458,305	5,108,904	4,849,058
Federal sources	858,672	627,300	452,753	484,722
Total revenues	<u>\$13,666,661</u>	<u>\$ 12,515,091</u>	<u>\$11,270,054</u>	<u>\$10,506,738</u>
Expenditures				
Current				
Instruction				
Regular	\$ 6,048,171	\$ 5,408,692	\$ 5,112,989	\$ 4,788,002
Special	1,469,061	1,427,956	1,379,195	1,081,657
Other	984,557	1,017,291	617,753	844,883
Support services				
Student	223,047	205,463	228,264	217,976
Instructional staff	436,973	418,258	423,256	223,188
Administration	926,113	915,715	908,776	835,003
Operation and maintenance of plant	907,873	884,833	854,623	803,747
Transportation	492,551	595,379	450,232	513,750
Other expenditures				
Facilities acquisition	544,243	506,305	297,159	420,974
Long-term debt				
Principal	305,000	295,000	275,000	280,000
Interest and other charges	127,792	137,428	146,391	154,436
AEA flowthrough	414,074	397,136	364,300	350,130
Total expenditures	<u>\$12,879,455</u>	<u>\$ 12,209,456</u>	<u>\$11,057,938</u>	<u>\$10,513,746</u>

See accompanying Independent Auditor's Report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

Schedule 8

Grantor/Program	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Direct			
U.S. Department of Education			
Foreign Language Assistance Program - Chinese	84.293B	T293B070148	\$ 174,093
Foreign Language Assistance Program - Arabic	84.293B	T293B060170	<u>197,891</u>
Total direct			<u>371,984</u>
Indirect			
U.S. Department of Agriculture			
Iowa Department of Education			
Food donation (non-cash)	10.550	FY08	26,083
Fresh Fruits and Vegetables Program	10.582	FY08	11,048
School Nutrition Cluster Programs			
School Breakfast Program	10.553	FY08	21,754
National School Lunch Program	10.555	FY08	<u>132,659</u>
Total Department of Agriculture			<u>191,544</u>
U.S. Department of Education			
Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY08	229,716
Title I Grants to Local Educational Agencies	84.010	FY07	<u>35,247</u>
Total Title I Grants to Local Educational Agencies			264,963
Safe and Drug-free Schools and Communities-State Grants	84.186	FY08	9,642
Improving Teacher Quality State Grants	84.367	FY08	123,473
Grants for State Assessments & Related Activities	84.369	FY08	8,337
Title V - State Grants for Innovative Programs	84.298	FY08	<u>1,610</u>
Total Iowa Department of Education			<u>408,025</u>
Grant Wood Area Education Agency			
Special Education-Grants to States	84.027	FY08	65,698
Career and Technical Education -Basic Grants to States	84.048	FY08	<u>23,000</u>
Total Area Education Agency			<u>88,698</u>
Total Department of Education			<u>496,723</u>
Total indirect			<u>688,267</u>
Total federal awards			<u>\$1,060,251</u>

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

KAY L. CHAPMAN, CPA PC

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

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

To the Board of Education
Mid-Prairie Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mid-Prairie Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 31, 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 Mid-Prairie Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Mid-Prairie Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Mid-Prairie Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as 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 Mid-Prairie Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Mid-Prairie Community School District's

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

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items II-A-08, II-B-08, and II-C-08 are material weaknesses.

Compliance and Other Matters

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

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

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

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

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

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 31, 2009

KAY L. CHAPMAN, CPA PC

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

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

To the Board of Education
Mid-Prairie Community School District

Compliance

I have audited the compliance of Mid-Prairie Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Mid-Prairie Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mid-Prairie Community School District's management. My responsibility is to express an opinion on Mid-Prairie Community School District's compliance based on my audit.

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

In my opinion Mid-Prairie Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08, III-B-08 and III-C-08 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. I consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-08, III-B-08, and III-C-08 to be material weaknesses.

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

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

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 31, 2009

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Part I. Summary of the Independent Auditor's Results

1. Unqualified opinions were issued on the financial statements.
2. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
3. The audit did not disclose any non-compliance which is material to the financial statements.
4. Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, which were considered to be material weaknesses.
5. An unqualified opinion was issued on compliance with requirements applicable to each major program.
6. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. Major programs were as follows:
 - CFDA Number 84.010 Title I Grants to Local Educational Agencies
 - CFDA Number 84.293B Foreign Language Assistance Program - Arabic
 - CFDA Number 84.293B Foreign Language Assistance Program - Chinese
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Mid-Prairie Community School District did not qualify as a low-risk auditee.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Part II. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

- II-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

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

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

Conclusion - Response accepted.

- II-B-08 Financial Reporting - Reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires the business manager or district management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. The business manager is able to perform the duties required in the normal course of business and to prepare the CAR in accordance with the Department of Education requirements. However, the business manager presently lacks the qualifications and training to appropriately prepare the annual financial statements and footnote disclosures in compliance with GAAP. This is a common situation in small entities where accounting personnel typically do not have four-year accounting degrees and do not receive annual training in order to stay current on new accounting and reporting standards and requirements.

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

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

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

Conclusion - Response accepted.

- II-C-08 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 revenues in the Physical Plant and Equipment Levy Fund.

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 his 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 his 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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Part III. Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

CFDA #84.010: Title I Grants to Local Education Agencies
Federal Award Year: 2008
U.S. Department of Education
Passed through the Iowa Department of Education

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

III-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

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

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

Conclusion - Response accepted.

III-B-08 Financial Reporting - Reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires the business manager or district management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. The business manager is able to perform the duties required in the normal course of business and to prepare the CAR in accordance with the Department of Education requirements. However, the business manager presently lacks the qualifications and training to appropriately prepare the annual financial statements and footnote disclosures in compliance with GAAP. This is a common situation in small entities where accounting personnel typically do not have four-year accounting degrees and do not receive annual training in order to stay current on new accounting and reporting standards and requirements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

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

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

Conclusion - Response accepted.

III-C-08 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 revenues in the Physical Plant and Equipment Levy Fund.

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 his 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 his 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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Part IV. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2008 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted that the interfund transfers were not approved by the board.

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

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

Conclusion - Response accepted.

7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies, affecting ending balances or spending authority, in the amounts reported. However, there were two material misstatements on the amounts reported, as indicated in comment III-C-08. However, since these errors did not affect any ending fund balance or spending authority, there is no need for the District to amend their CAR.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

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

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

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

Conclusion - Response accepted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2008

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant