

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Table of Contents
June 30, 2009

	<u>Page</u>	
Officials	1	
Independent Auditor's Report	2-3	
Management's Discussion and Analysis	4-13	
Basic Financial Statements		<u>Exhibit</u>
Government-wide Financial Statements		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Governmental Fund Financial Statements		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements		
Statement of Net Assets	G	23
Statement of Revenues, Expenses and Changes in Net Assets	H	24
Statement of Cash Flows	I	25
Notes to Financial Statements		26-35
Required Supplementary Information		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds		37
Notes to Required Supplementary Information - Budgetary Reporting		38

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Table of Contents
June 30, 2009

Other Supplementary Information	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Nonmajor Enterprise Funds		
Combining Statement of Net Assets	3	42
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	4	43
Combining Statement of Cash Flows	5	44
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	45
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	46
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 <u>Government Auditing Standards</u>		47-49
Schedule of Findings		50-53
Audit Staff		54

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	
Board of Education			
(Before September 2008 Election)			
Michael Brown	Board President	2008	
David Baker	Board Member	2008	
Dawn Dunnegan	Board Member	2009	
Kenton Klenk	Board Member	2009	
Frank Hedges	Board Member	2010	
Ralph Kaufman	Board Member	2010	
Toby Gordon	Board Member	2010	
(After September 2008 Election)			
Frank Hedges	Board President	2011	*
Dawn Dunnegan	Board Member	2009	
Kenton Klenk	Board Member	2009	
Michael Brown	Board Member	2009	*
Ralph Kaufman	Board Member	2011	*
Toby Gordon	Board Member	2011	*
David Baker	Board Member	2011	*
School Officials			
Fred Whipple	Superintendent	2009	
Pat Heitmeier	District Secretary/Treasurer	Retired 11-30-08	2009
Dawn Kelly	District Secretary/Treasurer	Appointed 11-30-08	2009
Brian Gruhn	Attorney	2009	

* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Mediapolis Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District, Mediapolis, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Mediapolis Community School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated January 29, 2010 on my consideration of Mediapolis Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mediapolis Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (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 six years in the period ended June 30, 2009, 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
January 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mediapolis Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,769,907 in fiscal 2008 to \$7,999,170 in fiscal 2009, and General Fund expenditures increased from \$7,438,645 in fiscal 2008 to \$7,705,974 in fiscal 2009. The District's General Fund balance increased from \$1,600,753 in fiscal 2008 to \$1,858,639 in fiscal 2009, a 16% increase.
- Student enrollment was down in September 2008 to 875.9 resident students from 890.1 resident students the previous year.
- The long-term roof replacement project continued with portions of the elementary school roof being replaced during the spring and early summer of 2009. This part of the project was completed at a total cost of \$275,500, which was paid out of the Capital Projects Fund.
- The District replaced two buses in 2008-09 as the fleet continues to be updated. The buses were purchased for a total of \$148,366, using PPEL dollars.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

Figure A-1
Mediapolis Community School District Annual Financial Report

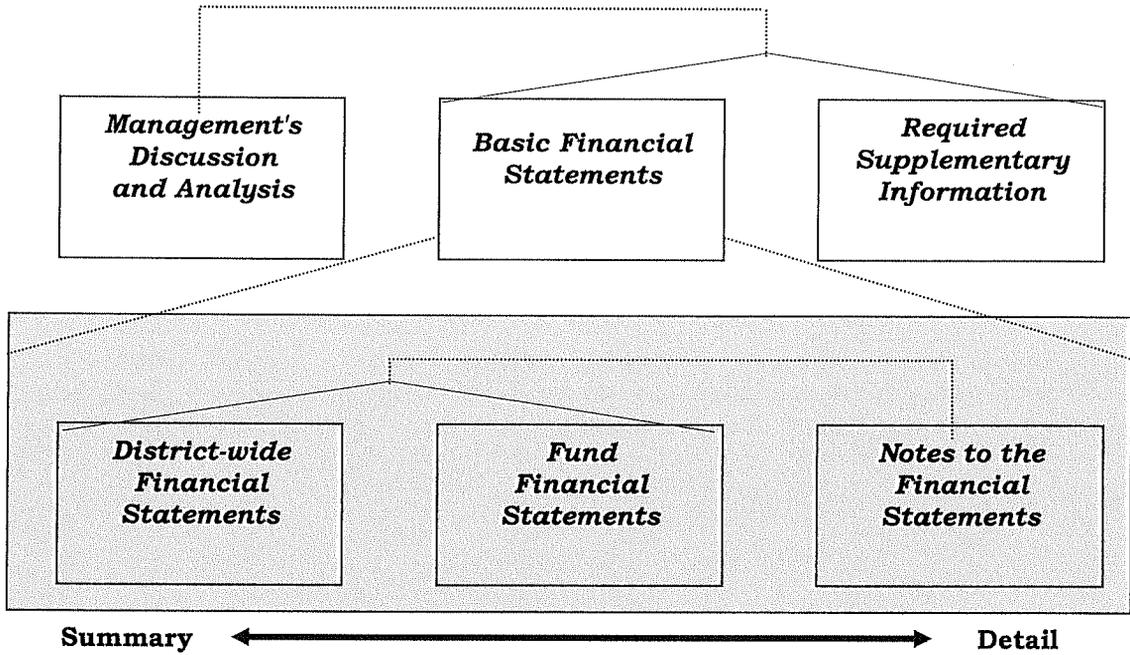


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total Change
	Activities		Activities		District		
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008-</u> <u>2009</u>
Current and other assets	\$ 7,784,149	\$ 7,285,079	\$ 49,057	\$ 31,256	\$ 7,833,206	\$ 7,316,335	7.06%
Capital assets	<u>10,294,079</u>	<u>10,231,164</u>	<u>42,382</u>	<u>45,493</u>	<u>10,336,461</u>	<u>10,276,657</u>	0.58%
Total assets	<u>18,078,228</u>	<u>17,516,243</u>	<u>91,439</u>	<u>76,749</u>	<u>18,169,667</u>	<u>17,592,992</u>	3.28%
Long-term liabilities	103,192	484,322	-	-	103,192	484,322	-78.69%
Other liabilities	<u>3,642,938</u>	<u>3,771,306</u>	<u>50,974</u>	<u>45,222</u>	<u>3,693,912</u>	<u>3,816,528</u>	-3.21%
Total liabilities	<u>3,746,130</u>	<u>4,255,628</u>	<u>50,974</u>	<u>45,222</u>	<u>3,797,104</u>	<u>4,300,850</u>	-11.71%
Net assets							
Invested in capital assets, net of related debt	10,294,079	9,831,164	42,382	45,493	10,336,461	9,876,657	4.66%
Restricted	1,960,290	1,715,788	-	-	1,960,290	1,715,788	14.25%
Unrestricted	<u>2,077,729</u>	<u>1,713,663</u>	<u>(1,917)</u>	<u>(13,966)</u>	<u>2,075,812</u>	<u>1,699,697</u>	22.13%
Total net assets	<u>\$ 14,332,098</u>	<u>\$ 13,260,615</u>	<u>\$ 40,465</u>	<u>\$ 31,527</u>	<u>\$ 14,372,563</u>	<u>\$ 13,292,142</u>	8.13%

The District's combined net assets increased by approximately 8%, or \$1,080,421, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$244,502, or approximately 14% over the prior year.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$376,115 or approximately 22%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008-2009</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 679,178	\$ 777,385	\$ 221,571	\$ 207,130	\$ 900,749	\$ 984,515	-8.51%
Operating grants	1,162,760	967,834	154,737	182,976	1,317,497	1,150,810	14.48%
General revenues							
Property tax	3,589,534	2,822,643	-	-	3,589,534	2,822,643	27.17%
Statewide sales and services tax	816,522	795,117	-	-	816,522	795,117	2.69%
Unrestricted state grants	3,473,517	3,528,506	-	-	3,473,517	3,528,506	-1.56%
Contributions and donations	40,428	58,550	-	-	40,428	58,550	-30.95%
Unrestricted investment earnings	46,578	155,218	171	1,108	46,749	156,326	-70.10%
Other	618	17,371	-	-	618	17,371	-96.44%
Special item - gain on sale of assets	<u>3,005</u>	-	-	-	<u>3,005</u>	-	100.00%
Total revenues and special item	<u>9,812,140</u>	<u>9,122,624</u>	<u>376,479</u>	<u>391,214</u>	<u>10,188,619</u>	<u>9,513,838</u>	7.09%
Program expenses							
Governmental activities							
Instruction	5,624,437	5,308,588	-	-	5,624,437	5,308,588	5.95%
Support services	2,359,148	2,342,215	-	-	2,359,148	2,342,215	0.72%
Non-instructional programs	14,515	14,647	420,871	466,408	435,386	481,055	-9.49%
Other expenses	<u>689,227</u>	<u>618,727</u>	-	-	<u>689,227</u>	<u>618,727</u>	11.39%
Total expenses	<u>8,687,327</u>	<u>8,284,177</u>	<u>420,871</u>	<u>466,408</u>	<u>9,108,198</u>	<u>8,750,585</u>	4.09%
Change in net assets before transfers	1,124,813	838,447	(44,392)	(75,194)	1,080,421	763,253	41.55%
Transfers	<u>(53,330)</u>	<u>(56,408)</u>	<u>53,330</u>	<u>56,408</u>	-	-	0.00%
Change in net assets	<u>\$ 1,071,483</u>	<u>\$ 782,039</u>	<u>\$ 8,938</u>	<u>\$ (18,786)</u>	<u>\$ 1,080,421</u>	<u>\$ 763,253</u>	41.55%

In fiscal 2009, property tax and unrestricted state grants account for 72% of the revenue from governmental activities while charges for service and operating grants account for 99% of the revenue from business type activities.

The District's total revenues were \$10,188,619 of which \$9,812,140 was for governmental activities and \$376,479 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7% increase in revenues and a 4% increase in expenses. The increase in revenues is mostly related to an increase in property taxes, due to 4% allowable growth for fiscal 2009. The increase in expenses is related to increases in negotiated salary and benefits as well as inflationary increases in the cost of fuel, utilities and supplies.

Governmental Activities

Revenues for governmental activities were \$9,812,140 and expenses were \$8,687,327 for the year ended June 30, 2009. The District continues to balance the budget by monitoring expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	<u>2009</u>	<u>2008</u>	Change	<u>2009</u>	<u>2008</u>	Change
			<u>2008-2009</u>			<u>2008-2009</u>
Instruction	\$ 5,624,437	\$ 5,308,588	5.9%	\$ 4,109,690	\$ 3,877,360	6.0%
Support services	2,359,148	2,342,215	0.7%	2,346,367	2,324,168	1.0%
Non-instructional programs	14,515	14,647	-0.9%	14,515	14,647	-0.9%
Other expenses	<u>689,227</u>	<u>618,727</u>	11.4%	<u>374,817</u>	<u>322,783</u>	16.1%
Total expenses	<u>\$ 8,687,327</u>	<u>\$ 8,284,177</u>	4.9%	<u>\$ 6,845,389</u>	<u>\$ 6,538,958</u>	4.7%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$679,178.
- Federal and state governments subsidized certain programs with grants totaling \$1,162,760.
- The net cost of governmental activities was financed with \$4,406,056 in property and other taxes and \$3,473,517 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$376,479 representing a 4% decrease from the prior year and expenses were \$420,871, a 10% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District did increase adult lunch prices. The Board also voted in April 2009 to increase student lunch prices for the 2009-10 school year in an effort to generate adequate yearly revenue to cover yearly costs. The Board will continue to monitor the Nutrition Fund's yearly revenue and expenses and make adjustments if needed.

Also during fiscal 2009, the District continued the preschool program. State funding follows a year behind in this type of program. This fund will continue to show a negative balance for several years. Tuition fees paid for four-year-old students enrolled in the program help to decrease the negative balance. The Board is aware of this situation and will monitor as required.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,722,304, well above last year's ending fund balances of \$3,297,545. The primary reason for the increase in combined fund balances in fiscal 2009 is due to strict monitoring of budget to keep spending within boundaries and continuing to levy for cash reserve.

Governmental Fund Highlights

- The General Fund balance increased from \$1,600,753 at June 30, 2008 to \$1,858,639 at June 30, 2009. This improvement was due in part to continued budget efficiencies when possible and the use of the cash reserve levy to help boost revenue, as well as the District continuing to levy instructional support at the full allowable amount.
- The Capital Projects Fund balance increased from \$885,211 in fiscal 2008 to \$964,283 in fiscal 2009 due to fiscal 2009 local option sales and service tax receipts being higher than the fiscal 2009 site improvement projects being funded by these tax receipts.

Proprietary Fund Highlights

Proprietary Fund net assets increased from \$31,527 at June 30, 2008 to \$40,465 at June 30, 2009, representing an increase of approximately 28%. The increase is attributed to the Nutrition Fund-the adult lunch prices were increased and expenses were closely monitored (this included strictly limiting the purchase of more expensive food items).

BUDGETARY HIGHLIGHTS

Over the course of the year, Mediapolis Community School District amended its budget one time by \$262,716 to reflect anticipated additional expenditures associated with increased staff, utilities, fuel, food and transportation costs.

The District's revenues were \$238,485 more than budgeted revenues, a variance of 2%. This was due in part to a conservative approach to budgeting estimated revenues for fiscal year 2009, including income surtax revenue.

Total expenditures were \$1,069,790 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$10,336,461 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of .6% over last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$431,981.

The original cost of the District's capital assets was \$15,817,202. Governmental funds account for \$15,641,646, with the remainder of \$175,556 accounted for in the Proprietary, School Nutrition Fund.

The biggest change in capital asset activity during the year occurred in the improvements other than buildings category, which decreased from \$335,639 in 2008 to \$314,167 in 2009 due to annual depreciation expense.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008-2009</u>
Land	\$ 65,743	\$ 65,743	\$ -	\$ -	\$ 65,743	\$ 65,743	0.00%
Buildings and improvements	9,123,199	9,082,617	-	-	9,123,199	9,082,617	0.45%
Improvements, other than buildings	314,167	335,639	-	-	314,167	335,639	-6.40%
Furniture and equipment	<u>790,970</u>	<u>747,165</u>	<u>42,382</u>	<u>45,493</u>	<u>833,352</u>	<u>792,658</u>	5.13%
Totals	<u>\$10,294,079</u>	<u>\$10,231,164</u>	<u>\$42,382</u>	<u>\$45,493</u>	<u>\$10,336,461</u>	<u>\$10,276,657</u>	0.58%

Long-Term Debt

At June 30, 2009, the District had \$103,192 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 79% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$11 million.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	District		Change
	<u>2009</u>	<u>2008</u>	<u>2008-2009</u>
Governmental activities			
Revenue bonds	\$ -	\$ 400,000	-100.00%
Compensated absences	7,279	15,192	-52.09%
Termination benefits	<u>95,913</u>	<u>69,130</u>	38.74%
Total	<u>\$ 103,192</u>	<u>\$ 484,322</u>	-78.69%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District continues to experience a small decline in enrollment.
- The bus replacement program will continue with replacement of one bus during 2009-10.
- In June 2009, the District entered into a contract for construction of a fitness and weight room addition, with work to begin July 2009 and finish November 2009. Estimated costs of the construction project are \$302,000, plus the cost of equipment to furnish the addition.
- A five-year roof replacement program, which was begun in 2008, will continue with work during the summer of 2010.
- The state budget reduction, as well as possible future reductions, pose many financial challenges for the District, and will continue to do so in the foreseeable future.

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 Dawn Kelly, District Secretary/Treasurer, Mediapolis Community School District, 725 N. Northfield Street, Mediapolis, Iowa 52637.

Basic Financial Statements

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2009

Exhibit A

Assets	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,422,948	\$ 30,775	\$ 4,453,723
Receivables			
Property tax			
Delinquent	33,653	-	33,653
Succeeding year	2,793,805	-	2,793,805
Accounts receivable	18,804	97	18,901
Income surtaxes	304,451	-	304,451
Due from other governments	171,591	-	171,591
Due from other fund	38,897	-	38,897
Inventories	-	18,185	18,185
Non-depreciable capital assets	65,743	-	65,743
Capital assets, net of accumulated depreciation	<u>10,228,336</u>	<u>42,382</u>	<u>10,270,718</u>
Total assets	<u>18,078,228</u>	<u>91,439</u>	<u>18,169,667</u>
Liabilities			
Accounts payable	197,649	2,784	200,433
Salaries and benefits payable	651,484	9,293	660,777
Due to other fund	-	38,897	38,897
Deferred revenue			
Succeeding year property tax	2,793,805	-	2,793,805
Long-term liabilities			
Portion due within one year			
Compensated absences	7,279	-	7,279
Termination benefits payable	35,913	-	35,913
Portion due after one year			
Termination benefits payable	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total liabilities	<u>3,746,130</u>	<u>50,974</u>	<u>3,797,104</u>
Net Assets			
Invested in capital assets	10,294,079	42,382	10,336,461
Restricted for			
Categorical funding	62,059	-	62,059
Management levy	147,915	-	147,915
Physical plant and equipment levy	556,157	-	556,157
Debt service	65,238	-	65,238
Other special revenue purposes	164,638	-	164,638
Capital projects	964,283	-	964,283
Unrestricted	<u>2,077,729</u>	<u>(1,917)</u>	<u>2,075,812</u>
Total net assets	<u>\$ 14,332,098</u>	<u>\$ 40,465</u>	<u>\$14,372,563</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2009

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses for Services	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities Activities	Total
Functions/Programs						
Governmental activities						
Instruction						
Regular instruction	\$ 3,836,551	\$ 587,062	\$ 657,797	\$ -	\$ (2,591,692)	\$ (2,591,692)
Special instruction	1,072,013	79,305	176,914	-	(815,794)	(815,794)
Other instruction	715,873	30	13,639	-	(702,204)	(702,204)
	<u>5,624,437</u>	<u>666,397</u>	<u>848,350</u>	<u>-</u>	<u>(4,109,690)</u>	<u>(4,109,690)</u>
Support services						
Student	183,221	-	-	-	(183,221)	(183,221)
Instructional staff	340,803	-	-	-	(340,803)	(340,803)
Administration	716,179	-	-	-	(716,179)	(716,179)
Operation and maintenance of plant	578,761	1,106	-	-	(577,655)	(577,655)
Transportation	540,184	11,675	-	-	(528,509)	(528,509)
	<u>2,359,148</u>	<u>12,781</u>	<u>-</u>	<u>-</u>	<u>(2,346,367)</u>	<u>(2,346,367)</u>
	<u>14,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,515)</u>	<u>(14,515)</u>
Non-instructional programs						
Other expenses						
Facilities acquisition	79,898	-	-	-	(79,898)	(79,898)
Long-term debt interest	2,398	-	-	-	(2,398)	(2,398)
AEA flowthrough	314,410	-	314,410	-	-	-
Depreciation (unallocated) *	292,521	-	-	-	(292,521)	(292,521)
	<u>689,227</u>	<u>-</u>	<u>314,410</u>	<u>-</u>	<u>(374,817)</u>	<u>(374,817)</u>
Total governmental activities	<u>8,687,327</u>	<u>679,178</u>	<u>1,162,760</u>	<u>-</u>	<u>(6,845,389)</u>	<u>(6,845,389)</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2009

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses for Services	Charges and Restricted Interest	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Total
Functions/Programs (continued)					
Business type activities					
Non-instructional programs					
Food service operations	\$ 361,039	\$ 218,271	\$ 154,737	\$ -	\$ 11,969
Preschool program	59,832	3,300	-	-	(56,532)
Total business type activities	420,871	221,571	154,737	-	(44,563)
Total	\$ 9,108,198	\$ 900,749	\$ 1,317,497	\$ -	(6,889,952)
General Revenues					
Property tax levied for					
General purposes					3,193,387
Capital outlay					396,147
Statewide sales and services tax					816,522
Unrestricted state grants					3,473,517
Contributions and donations					40,428
Unrestricted investment earnings					46,578
Other					618
Transfers					(53,330)
Special item - gain on sale of assets					3,005
Total general revenues, special item and transfers					7,916,872
Change in net assets					1,071,483
Net assets, beginning of year					13,260,615
Net assets, end of year					\$ 14,332,098
					\$ 40,465
					53,501
					7,970,373
					3,005
					8,938
					13,292,142
					\$ 14,372,563

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

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2009

Exhibit C

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$2,657,800	\$845,341	\$ 919,807	\$4,422,948
Receivables				
Property tax				
Delinquent	30,495	-	3,158	33,653
Succeeding year	2,503,094	-	290,711	2,793,805
Accounts receivable	16,068	-	2,736	18,804
Income surtax	173,972	-	130,479	304,451
Due from other governments	52,645	118,942	4	171,591
Due from other fund	38,897	-	-	38,897
Total assets and other debits	<u>\$5,472,971</u>	<u>\$964,283</u>	<u>\$1,346,895</u>	<u>\$7,784,149</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 172,298	\$ -	\$ 25,351	\$ 197,649
Salaries and benefits payable	650,512	-	972	651,484
Deferred revenue				
Succeeding year property tax	2,503,094	-	290,711	2,793,805
Income surtax	173,972	-	130,479	304,451
Other	114,456	-	-	114,456
Total liabilities	<u>3,614,332</u>	<u>-</u>	<u>447,513</u>	<u>4,061,845</u>
 Fund balances				
Reserved for				
Debt service	-	-	65,238	65,238
Categorical funding	62,059	-	-	62,059
Unreserved, governmental funds	1,796,580	964,283	-	2,760,863
Unreserved, special revenue funds	-	-	834,144	834,144
Total fund balances	<u>1,858,639</u>	<u>964,283</u>	<u>899,382</u>	<u>3,722,304</u>
Total liabilities and fund balances	<u>\$5,472,971</u>	<u>\$964,283</u>	<u>\$1,346,895</u>	<u>\$7,784,149</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2009

Exhibit D

Total fund balances of governmental funds	\$ 3,722,304
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,294,079
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	418,907
Long-term liabilities, including compensated absences and termination benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(103,192)</u>
Net assets of governmental activities	<u>\$14,332,098</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$2,919,453	\$816,522	\$ 518,797	\$4,254,772
Tuition	410,488	-	-	410,488
Other	79,599	23,670	253,047	356,316
State sources	4,443,746	-	-	4,443,746
Federal sources	145,884	-	-	145,884
Total revenues	<u>7,999,170</u>	<u>840,192</u>	<u>771,844</u>	<u>9,611,206</u>
 Expenditures				
Current				
Instruction				
Regular	3,740,121	-	47,449	3,787,570
Special	1,072,013	-	-	1,072,013
Other	442,282	-	271,466	713,748
	<u>5,254,416</u>	<u>-</u>	<u>318,915</u>	<u>5,573,331</u>
Support services				
Student	182,770	-	451	183,221
Instructional staff	340,352	-	451	340,803
Administration	691,722	-	42,304	734,026
Operation and maintenance of plant	536,545	-	35,572	572,117
Transportation	384,696	-	220,644	605,340
	<u>2,136,085</u>	<u>-</u>	<u>299,422</u>	<u>2,435,507</u>
Non-instructional programs	1,063	-	13,452	14,515
Other expenditures				
Facilities acquisition	-	353,972	52,254	406,226
Long-term debt				
Principal	-	-	400,000	400,000
Interest and fiscal charges	-	-	7,148	7,148
AEA flowthrough	314,410	-	-	314,410
	<u>314,410</u>	<u>353,972</u>	<u>459,402</u>	<u>1,127,784</u>
Total expenditures	<u>7,705,974</u>	<u>353,972</u>	<u>1,091,191</u>	<u>9,151,137</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 293,196	\$486,220	\$ (319,347)	\$ 460,069
Other financing sources (uses)				
Sale of equipment and materials	18,020	-	-	18,020
Interfund operating transfers in	-	-	407,148	407,148
Interfund operating transfers (out)	<u>(53,330)</u>	<u>(407,148)</u>	-	<u>(460,478)</u>
Total other financing sources (uses)	<u>(35,310)</u>	<u>(407,148)</u>	<u>407,148</u>	<u>(35,310)</u>
Net change in fund balances	257,886	79,072	87,801	424,759
Fund balance, beginning of year	<u>1,600,753</u>	<u>885,211</u>	<u>811,581</u>	<u>3,297,545</u>
Fund balance, end of year	<u>\$1,858,639</u>	<u>\$964,283</u>	<u>\$ 899,382</u>	<u>\$3,722,304</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2009

Exhibit F

Net change in fund balances - total governmental funds \$ 424,759

**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	\$504,054	
Loss on disposal of capital assets	(15,015)	
Depreciation expense	<u>(426,124)</u>	62,915

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 197,929

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. 400,000

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	\$ (26,783)	
Compensated absences	<u>7,913</u>	(18,870)

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,750

Change in net assets of governmental activities \$1,071,483

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2009

Exhibit G

	<u>Nonmajor Enterprise Funds</u>
Assets	
Cash and cash equivalents	\$ 30,775
Accounts receivable	97
Inventories	18,185
Capital assets, net of accumulated depreciation	<u>42,382</u>
Total assets	<u>91,439</u>
 Liabilities	
Accounts payable	2,784
Salaries and benefits payable	9,293
Due to other fund	<u>38,897</u>
Total liabilities	<u>50,974</u>
 Net Assets	
Invested in capital assets	42,382
Unrestricted	<u>(1,917)</u>
Total net assets	<u>\$ 40,465</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

Exhibit H

	<u>Nonmajor Enterprise Funds</u>
Operating revenue	
Local sources	
Charges for service	<u>\$221,571</u>
Operating expenses	
Instruction	
Regular	59,832
Support services	
Administration	19,266
Operation and maintenance of plant	2,365
Non-instructional programs	
Food service operations	<u>339,408</u>
Total operating expenses	<u>420,871</u>
Operating loss	<u>(199,300)</u>
Non-operating revenues	
Interest income	171
State sources	4,747
Federal sources	<u>149,990</u>
Total non-operating revenues	<u>154,908</u>
Net loss before transfers	(44,392)
Transfers in	<u>53,330</u>
Net income	8,938
Net assets, beginning of year	<u>31,527</u>
Net assets, end of year	<u>\$ 40,465</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

Exhibit I

	Nonmajor Enterprise <u>Funds</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 221,474
Cash payments to employees for services	(218,364)
Cash payments to suppliers for goods and services	<u>(164,295)</u>
Net cash used in operating activities	<u>(161,185)</u>
Cash flows from non-capital financing activities	
Operating transfers from other fund	55,902
State grants received	4,747
Federal grants received	<u>119,776</u>
Net cash provided by non-capital financing activities	<u>180,425</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(2,746)</u>
Cash flows from investing activities	
Interest on investments	<u>171</u>
Net increase in cash and cash equivalents	16,665
Cash and cash equivalents, beginning of year	<u>14,110</u>
Cash and cash equivalents, end of year	<u><u>\$ 30,775</u></u>

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

Operating loss	\$(199,300)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,857
Commodities used	30,385
(Increase) in accounts receivable	(97)
(Increase) in inventory	(1,210)
Increase in accounts payable	2,477
Increase in accrued salaries and benefits	703
Net cash used in operating activities	<u><u>\$(161,185)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2009, the District received \$30,385 of federal commodities.

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Invested in capital assets consists of capital assets, net of accumulated depreciation.

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

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

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

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

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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

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

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

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

liability has been computed based on rates of pay in effect at June 30, 2009. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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

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

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

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$704,072 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, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	Amortized Cost
Diversified Portfolio	<u>\$13,604</u>

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

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

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Non-major Enterprise	
General Fund	Preschool Fund	\$38,897

The Preschool Fund had a negative reconciled bank balance at June 30, 2009. Since the Preschool Fund shares a bank account with the General Fund, this negative balance is reported as an interfund receivable/payable at June 30, 2009.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Capital Projects	Non-major governmental Debt service	\$ 407,148
General	Non-major enterprise Preschool	<u>53,330</u>
		<u>\$ 460,478</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Capital Projects Fund to the Debt Service Fund was for principal and interest payments on debt. The transfer from the General Fund to the Preschool Fund was for state foundation aid received for 5-year olds enrolled in the preschool program.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 65,743	\$ -	\$ -	\$ 65,743
Capital assets being depreciated:				
Buildings and improvements	12,847,934	291,989	-	13,139,923
Improvements other than buildings	790,448	10,464	-	800,912
Furniture and equipment	<u>1,531,764</u>	<u>201,601</u>	<u>(98,297)</u>	<u>1,635,068</u>
Total capital assets being depreciated	<u>15,170,146</u>	<u>504,054</u>	<u>(98,297)</u>	<u>15,575,903</u>
Less accumulated depreciation for:				
Buildings and improvements	3,765,317	251,407	-	4,016,724
Improvements other than buildings	454,809	31,936	-	486,745
Furniture and equipment	<u>784,599</u>	<u>142,781</u>	<u>(83,282)</u>	<u>844,098</u>
Total accumulated depreciation	<u>5,004,725</u>	<u>426,124</u>	<u>(83,282)</u>	<u>5,347,567</u>
Total capital assets being depreciated, net	<u>10,165,421</u>	<u>77,930</u>	<u>(15,015)</u>	<u>10,228,336</u>
Governmental activities capital assets, net	<u>\$ 10,231,164</u>	<u>\$ 77,930</u>	<u>\$ (15,015)</u>	<u>\$ 10,294,079</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 173,127	\$ 2,819	\$ (390)	\$ 175,556
Less accumulated depreciation	<u>127,634</u>	<u>5,857</u>	<u>(317)</u>	<u>133,174</u>
Business type activities capital assets, net	<u>\$ 45,493</u>	<u>\$ (3,038)</u>	<u>\$ (73)</u>	<u>\$ 42,382</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 1,879
Other	2,125
Support services	
Administration	5,001
Operation and maintenance of plant	6,644
Transportation	<u>117,954</u>
	133,603
Unallocated depreciation	<u>292,521</u>
Total governmental activities depreciation expense	<u>\$ 426,124</u>

Business type activities

Food services	<u>\$ 5,857</u>
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Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
Revenue bonds	\$ 400,000	\$ -	\$(400,000)	\$ -	\$ -
Compensated absences	15,192	7,279	(15,192)	7,279	7,279
Termination benefits	69,130	119,655	(92,872)	95,913	35,913
Totals	<u>\$ 484,322</u>	<u>\$ 126,934</u>	<u>\$(508,064)</u>	<u>\$ 103,192</u>	<u>\$ 43,192</u>

Interest costs incurred and charged to expense on all long-term debt was \$2,398 for the year ended June 30, 2009.

Termination Benefits

Certified District employees who have 25 years of continuous service and are at least 55 years of age, are eligible for early retirement pay. Employees who participate in the early retirement program shall receive a benefit of \$21,000. Non-certified employees who are 55 years of age or older and have 10 years of service to the District also qualify for early retirement benefits. The retirement benefit for non-certified employees is equal to two and one-half days' pay for each year of service to the District. Early retirement expenditures for the year ended June 30, 2009 totaled \$92,872. At June 30, 2009, the District had obligations to four participants with a total liability of \$95,913 for termination benefits.

Note 7. 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 4.10% of their annual covered salary and the District was required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Plan members were required to contribute 3.90% and 3.70% of their annual covered salary and the District was required to contribute 6.05% and 5.75% of annual covered payroll for the years ended June 30, 2008 and 2007, respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$328,935, \$289,245 and \$270,038, respectively, equal to the required contributions for each year.

Note 8. 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 9. 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 \$314,410 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Deficit Fund Balance

At June 30, 2009, the District had a net assets deficit of \$46,59 in the Preschool Fund.

Note 11. 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, 2009, 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.

Note 12. Construction Commitment

On June 26, 2009, the District entered into a contract totaling \$302,000 for the construction of an exercise/weight room. Construction did not begin until July 2009; therefore, the District had not incurred any costs for the project as of June 30, 2009.

Required Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2009

	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues								
Local sources	\$ 5,021,576		\$ 221,742		\$ 5,243,318	\$ 4,228,516	\$ 4,228,516	\$ 1,014,802
State sources	4,443,746		4,747		4,448,493	5,223,903	5,223,903	(775,410)
Federal sources	145,884		149,990		295,874	296,781	296,781	(907)
Total revenues	<u>9,611,206</u>		<u>376,479</u>		<u>9,987,685</u>	<u>9,749,200</u>	<u>9,749,200</u>	<u>238,485</u>
Expenditures/Expenses								
Instruction	5,573,331		59,832		5,633,163	5,782,351	5,970,067	336,904
Support services	2,435,507		21,631		2,457,138	2,788,693	2,788,693	331,555
Non-instructional programs	14,515		339,408		353,923	320,000	395,000	41,077
Other expenditures	1,127,784		-		1,127,784	1,488,038	1,488,038	360,254
Total expenditures/expenses	<u>9,151,137</u>		<u>420,871</u>		<u>9,572,008</u>	<u>10,379,082</u>	<u>10,641,798</u>	<u>1,069,790</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	460,069		(44,392)		415,677	(629,882)	(892,598)	1,308,275
Net other financing sources (uses)	<u>(35,310)</u>		<u>53,330</u>		<u>18,020</u>	<u>1,500</u>	<u>1,500</u>	<u>16,520</u>
Net change in fund balance	424,759		8,938		433,697	(628,382)	(891,098)	1,324,795
Balance, beginning of year	3,297,545		31,527		3,329,072	2,937,103	2,937,103	391,969
Balance, end of year	<u>\$ 3,722,304</u>		<u>\$ 40,465</u>		<u>\$ 3,762,769</u>	<u>\$ 2,308,721</u>	<u>\$ 2,046,005</u>	<u>\$ 1,716,764</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2009

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 \$262,716.

Other Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

Schedule 1

	Special Revenue				
	Management	Student	Physical Plant and Equipment	Debt	Total
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$248,280	\$181,869	\$424,420	\$65,238	\$ 919,807
Receivables					
Property tax					
Delinquent	1,903	-	1,255	-	3,158
Succeeding year	156,751	-	133,960	-	290,711
Accounts receivable	-	2,733	3	-	2,736
Income surtax	-	-	130,479	-	130,479
Due from other governments	4	-	-	-	4
Total assets	<u>\$406,938</u>	<u>\$184,602</u>	<u>\$690,117</u>	<u>\$65,238</u>	<u>\$1,346,895</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 6,359	\$ 18,992	\$ -	\$ -	\$ 25,351
Salaries and benefits payable	-	972	-	-	972
Deferred revenue					
Succeeding year property tax	156,751	-	133,960	-	290,711
Income surtax	-	-	130,479	-	130,479
Total liabilities	<u>163,110</u>	<u>19,964</u>	<u>264,439</u>	<u>-</u>	<u>447,513</u>
Fund balances					
Reserved for debt service	-	-	-	65,238	65,238
Unreserved fund balances	243,828	164,638	425,678	-	834,144
Total fund balances	<u>243,828</u>	<u>164,638</u>	<u>425,678</u>	<u>65,238</u>	<u>899,382</u>
Total liabilities and fund balances	<u>\$406,938</u>	<u>\$184,602</u>	<u>\$690,117</u>	<u>\$65,238</u>	<u>\$1,346,895</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

Schedule 2

Revenues	Special Revenue				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
Local sources					
Local taxes	\$160,253	\$ -	\$358,544	\$ -	\$ 518,797
Other	2,251	248,955	1,414	427	253,047
Total revenues	<u>162,504</u>	<u>248,955</u>	<u>359,958</u>	<u>427</u>	<u>771,844</u>
Expenditures					
Current					
Instruction					
Regular	47,449	-	-	-	47,449
Other	-	271,466	-	-	271,466
Total instruction	<u>47,449</u>	<u>271,466</u>	<u>-</u>	<u>-</u>	<u>318,915</u>
Support services					
Student	451	-	-	-	451
Instructional staff	451	-	-	-	451
Administration	41,914	390	-	-	42,304
Operation and maintenance of plant	35,572	-	-	-	35,572
Transportation	44,429	-	176,215	-	220,644
Total support services	<u>122,817</u>	<u>390</u>	<u>176,215</u>	<u>-</u>	<u>299,422</u>
Non-instructional programs	<u>13,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,452</u>
Other expenditures					
Facilities acquisition	-	-	52,254	-	52,254
Long-term debt					
Principal	-	-	-	400,000	400,000
Interest and fiscal charges	-	-	-	7,148	7,148
Total other expenditures	<u>-</u>	<u>-</u>	<u>52,254</u>	<u>407,148</u>	<u>459,402</u>
Total expenditures	<u>183,718</u>	<u>271,856</u>	<u>228,469</u>	<u>407,148</u>	<u>1,091,191</u>
Excess (deficiency) of revenues over (under) expenditures	(21,214)	(22,901)	131,489	(406,721)	(319,347)
Other financing sources					
Interfund operating transfers in	-	-	-	407,148	407,148
Net change in fund balances	<u>(21,214)</u>	<u>(22,901)</u>	<u>131,489</u>	<u>427</u>	<u>87,801</u>
Fund balances, beginning of year	265,042	187,539	294,189	64,811	811,581
Fund balances, end of year	<u>\$243,828</u>	<u>\$164,638</u>	<u>\$425,678</u>	<u>\$ 65,238</u>	<u>\$ 899,382</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Combining Statement of Net Assets
 Nonmajor Enterprise Funds
 June 30, 2009

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$30,775	\$ -	\$30,775
Accounts receivable	97	-	97
Inventories	18,185	-	18,185
Capital assets, net of accumulated depreciation	<u>42,382</u>	-	<u>42,382</u>
Total assets	<u>91,439</u>	<u>-</u>	<u>91,439</u>
Liabilities			
Accounts payable	2,784	-	2,784
Salaries and benefits payable	1,631	7,662	9,293
Due to other funds	<u>-</u>	<u>38,897</u>	<u>38,897</u>
Total liabilities	<u>4,415</u>	<u>46,559</u>	<u>50,974</u>
Net Assets			
Invested in capital assets	42,382	-	42,382
Unrestricted	<u>44,642</u>	<u>(46,559)</u>	<u>(1,917)</u>
Total net assets	<u>\$87,024</u>	<u>\$(46,559)</u>	<u>\$40,465</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2009

Schedule 4

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue	<u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Local sources			
Charges for service	\$218,271	\$ 3,300	\$221,571
Operating expenses			
Instruction			
Regular			
Salaries	-	42,277	42,277
Benefits	-	16,511	16,511
Supplies	-	1,044	1,044
	<u>-</u>	<u>59,832</u>	<u>59,832</u>
Support services			
Administration			
Salaries	10,123	-	10,123
Benefits	9,143	-	9,143
	<u>19,266</u>	<u>-</u>	<u>19,266</u>
Operation and maintenance of plant			
Purchased services	<u>2,365</u>	<u>-</u>	<u>2,365</u>
Non-instructional programs			
Food service operations			
Salaries	106,142	-	106,142
Benefits	34,871	-	34,871
Purchased services	1,901	-	1,901
Supplies	190,637	-	190,637
Depreciation	5,857	-	5,857
	<u>339,408</u>	<u>-</u>	<u>339,408</u>
Total operating expenses	<u>361,039</u>	<u>59,832</u>	<u>420,871</u>
Operating loss	<u>(142,768)</u>	<u>(56,532)</u>	<u>(199,300)</u>
Non-operating revenue			
Interest income	171	-	171
State sources	4,747	-	4,747
Federal sources	149,990	-	149,990
Total non-operating revenue	<u>154,908</u>	<u>-</u>	<u>154,908</u>
Net income (loss) before transfers	12,140	(56,532)	(44,392)
Transfers in	-	53,330	53,330
Net income (loss)	<u>12,140</u>	<u>(3,202)</u>	<u>8,938</u>
Net assets, beginning of year	74,884	(43,357)	31,527
Net assets, end of year	<u>\$ 87,024</u>	<u>\$(46,559)</u>	<u>\$ 40,465</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2009

Schedule 5

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
Cash flows from operating activities			
Cash received from sale of services	\$ 218,174	\$ 3,300	\$ 221,474
Cash payments to employees for services	(160,206)	(58,158)	(218,364)
Cash payments to suppliers for goods and services	<u>(163,251)</u>	<u>(1,044)</u>	<u>(164,295)</u>
Net cash used in operating activities	<u>(105,283)</u>	<u>(55,902)</u>	<u>(161,185)</u>
Cash flows from non-capital financing activities			
Operating transfers from other fund	-	55,902	55,902
State grants received	4,747	-	4,747
Federal grants received	<u>119,776</u>	<u>-</u>	<u>119,776</u>
Net cash provided by non-capital financing activities	<u>124,523</u>	<u>55,902</u>	<u>180,425</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(2,746)</u>	<u>-</u>	<u>(2,746)</u>
Cash flows from investing activities			
Interest on investments	<u>171</u>	<u>-</u>	<u>171</u>
Net increase in cash and cash equivalents	16,665	-	16,665
Cash and cash equivalents, beginning of year	<u>14,110</u>	<u>-</u>	<u>14,110</u>
Cash and cash equivalents, end of year	<u>\$ 30,775</u>	<u>\$ -</u>	<u>\$ 30,775</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$(142,768)	\$(56,532)	\$(199,300)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	5,857	-	5,857
Commodities used	30,385	-	30,385
(Increase) in accounts receivable	(97)	-	(97)
(Increase) in inventory	(1,210)	-	(1,210)
Increase in accounts payable	2,477	-	2,477
Increase in accrued salaries and benefits	73	630	703
Net cash used in operating activities	<u>\$(105,283)</u>	<u>\$(55,902)</u>	<u>\$(161,185)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$30,385 of federal commodities.

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2009

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance, End of Year
Athletics	\$ 72,327	\$ 72,180	\$ 90,338	\$ 15,506	\$ 69,675
Middle school athletics	18,844	12,961	12,697	2,323	21,431
Beverage contract	12,554	4,500	9,758	-	7,296
Cheerleaders	2,505	3,367	3,609	-	2,263
Concessions	(854)	40,883	27,869	(13,937)	(1,777)
FFA	14,114	31,255	31,520	-	13,849
FFA Tractor Restoration	98	-	-	-	98
FFA Scholarship	650	-	-	-	650
FCCLA	1,397	681	636	-	1,442
Band	5,300	3,432	4,437	-	4,295
High school student council	5,222	10,596	13,334	-	2,484
Vocal music	4,575	4,871	7,954	-	1,492
National Honor Society	4,252	2,833	2,559	-	4,526
Science club	374	468	-	-	842
Spanish club	18	7,232	7,250	-	-
HS drama	2,374	1,523	992	-	2,905
Yearbook	13,477	11,676	20,728	-	4,425
ECON club	-	850	850	-	-
Business Professionals of America	7,095	-	46	-	7,049
Art club	1,987	823	1,029	-	1,781
SEEDS	673	-	-	-	673
Just Eliminate Lies (J.E.L.)	-	209	-	-	209
High school account	12,503	1,557	2,378	(3,892)	7,790
Class of: 2008	(452)	-	-	452	-
2009	1,381	340	927	(452)	342
2010	850	3,327	2,232	-	1,945
2011	171	222	-	-	393
2012	-	523	-	-	523
Middle school band	946	1,212	1,052	-	1,106
Middle school student council	386	3,931	4,317	-	-
Middle school account	128	323	-	-	451
Middle school fundraiser	85	20,791	19,458	-	1,418
Middle School scholarship	683	602	-	-	1,285
Bulldog Bities Restaurant	79	177	162	-	94
Elementary	2,385	1,793	2,055	-	2,123
Elementary art	1,412	3,217	3,069	-	1,560
NHS scholarship/memorial	-	600	600	-	-
Totals	<u>\$ 187,538</u>	<u>\$ 248,955</u>	<u>\$ 271,856</u>	<u>\$ -</u>	<u>\$ 164,637</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Six Years

	Modified Accrual Basis					
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues						
Local sources						
Local tax	\$4,254,772	\$3,825,239	\$4,151,862	\$4,022,781	\$3,973,148	\$4,048,951
Tuition	410,488	450,545	359,214	436,494	377,139	334,362
Other	356,316	556,153	743,492	642,149	455,373	486,340
State sources	4,443,746	4,340,322	4,051,480	3,666,552	3,641,209	3,451,503
Federal sources	145,884	157,961	195,416	175,681	232,064	174,926
Total revenues	<u>\$9,611,206</u>	<u>\$9,330,220</u>	<u>\$9,501,464</u>	<u>\$8,943,657</u>	<u>\$8,678,933</u>	<u>\$8,496,082</u>
Expenditures						
Current						
Instruction						
Regular	\$3,787,570	\$3,587,344	\$3,306,501	\$3,003,657	\$3,061,212	\$3,042,636
Special	1,072,013	997,712	911,008	915,070	845,138	860,062
Other	713,748	772,596	881,495	791,476	586,163	597,539
Support services						
Student	183,221	162,786	153,886	176,456	176,336	165,572
Instructional staff	340,803	270,028	265,487	298,285	95,705	149,222
Administration	734,026	704,316	712,645	649,963	765,701	798,523
Operation and maintenance of plant	572,117	597,762	587,349	504,097	444,312	479,432
Transportation	605,340	680,104	551,404	593,651	495,752	443,243
Central support services						70
Non-instructional programs	14,515	14,647	3,686	1,202	3,396	3,187
Other expenditures						
Facilities acquisition	406,226	273,494	534,265	586,718	426,644	101,192
Long-term debt						
Principal	400,000	445,000	540,000	845,000	820,000	785,000
Interest and other charges	7,148	44,096	66,113	100,133	129,191	163,713
AEA flowthrough	314,410	295,944	281,342	255,956	253,380	257,247
Total expenditures	<u>\$9,151,137</u>	<u>\$8,845,829</u>	<u>\$8,795,181</u>	<u>\$8,721,664</u>	<u>\$8,102,930</u>	<u>\$7,846,638</u>

KAY L. CHAPMAN, CPA PC

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

To the Board of Education
Mediapolis Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated January 29, 2010. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 29, 2010

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2009

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

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

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

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

Conclusion - Response accepted.

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

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

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2009

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

- C. Signature Cards - I noted that the signature cards at the financial institutions were not all properly updated with the current signatures of District officials. Also, not all signature cards indicated that two signatures are required on District checks.

Recommendation - I recommend that the District verify that all bank signature cards bear the signature of those individuals who are currently authorized by the District to sign checks and that all signature cards indicate that two signatures are required on District checks. The District should also ensure that all signature cards are updated when there is a change in authorized officials.

Response - We have corrected all bank signature cards, as recommended and will be more attentive of this in the future.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2009 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.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2009

5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was certified with the Iowa Department of Education timely.
10. Deficit Balance - The District had a net assets deficit of \$46,559 in the Preschool Fund at June 30, 2009.

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

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

Conclusion - Response accepted.

11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2009

Beginning balance	\$ 885,211
Revenues	
Statewide sales and services tax revenue	816,522
Interest earned	18,287
Donations	5,383
Expenditures/transfers out	
School infrastructure	
Other improvements	(353,972)
Debt service for school infrastructure	
Revenue debt	<u>(407,148)</u>
Ending balance	<u>\$ 964,283</u>

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2009

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant