

MIDLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

To the Board of Education of
Midland Community School District:

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

We conducted our 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 we 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. We believe our audit provides a reasonable basis for our opinions.

In our 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 Midland Community School District at 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, we have also issued our report dated April 28, 2010, on our consideration of Midland Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 our 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Midland Community School District's basic financial statements. We 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. Other supplementary information included in Schedules 1 through 4, 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 our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 28, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Midland 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 \$6,093,484 in fiscal 2008 to \$6,341,082 in fiscal 2009, while General Fund expenditures decreased from \$6,076,864 in fiscal 2008 to \$5,469,645 in fiscal 2009. The District's General Fund balance increased from \$(420,872) in fiscal 2008 to \$451,485 in fiscal 2009.
- The increase in General Fund revenues was attributable to the district's net allowable growth between 2009 and 2010. The decrease in expenditures was due primarily to significant reductions which were made in our staffing, closing of a building, and other cost saving procedures which were implemented.

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 Sample 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 Midland Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Midland Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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 funds.

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

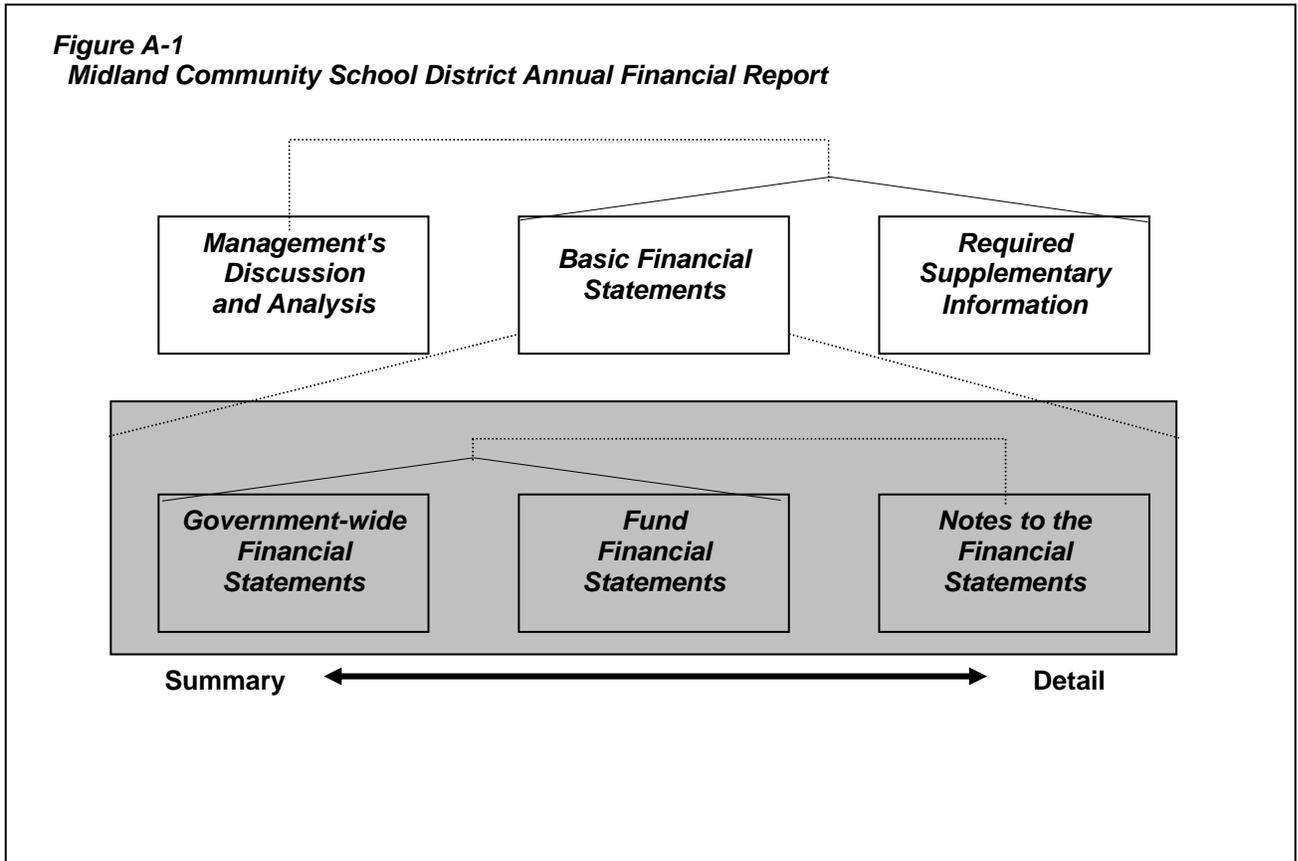


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
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 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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	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	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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	All additions and deductions 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 is 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 three 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 one Enterprise Fund, the School Nutrition 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.

3. *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,882,278	6,663,696	42,616	32,780	5,924,894	6,696,476	-12%
Capital assets	1,459,231	1,214,338	12,261	14,922	1,471,492	1,229,260	20%
Total assets	7,341,509	7,878,034	54,877	47,702	7,396,386	7,925,736	-7%
Long-term liabilities	28,500	126,466	-	-	28,500	126,466	-77%
Other liabilities	3,978,214	5,699,269	10,845	11,021	3,989,059	5,710,290	-30%
Total liabilities	4,006,714	5,825,735	10,845	11,021	4,017,559	5,836,756	-31%
Net Assets:							
Invested in capital assets, net of related debt	1,459,231	1,214,338	12,261	14,922	1,471,492	1,229,260	20%
Restricted	1,276,270	1,048,833	-	-	1,276,270	1,048,833	22%
Unrestricted	599,294	(210,872)	31,771	21,759	631,065	(189,113)	434%
TOTAL NET ASSETS	3,334,795	2,052,299	44,032	36,681	3,378,827	2,088,980	62%

The District's combined net assets increased by nearly 62%, or approximately \$1,289,847, 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 approximately \$227,437 or 22% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$820,178, or 434%.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	294,976	311,319	124,119	129,301	419,095	440,620	-5%
Operating grants & contributions	1,026,403	921,077	111,657	111,679	1,138,060	1,032,756	10%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	2,767,738	2,751,071	-	-	2,767,738	2,751,071	1%
Income Surtax	256,133	250,354	-	-	256,133	250,354	2%
Statewide sales & service tax	381,579	365,517	-	-	381,579	365,517	4%
Unrestricted state grants	2,235,760	2,259,420	-	-	2,235,760	2,259,420	-1%
Unrestricted investment earnings	90,246	148,177	-	-	90,246	148,177	-39%
Other revenue	17,020	23,105	-	-	17,020	23,105	-26%
Total Revenues	7,069,855	7,030,040	235,776	240,980	7,305,631	7,271,020	1%
Expenses:							
Instruction	3,689,762	3,908,281	-	-	3,689,762	3,908,281	-6%
Support services	1,762,943	2,169,316	-	-	1,762,943	2,169,316	-19%
Non-instructional programs	-	5,550	228,425	215,202	228,425	220,752	3%
Other expenditures	334,654	322,875	-	-	334,654	322,875	4%
Total expenses	5,787,359	6,406,022	228,425	215,202	6,015,784	6,621,224	-9%
Change in net assets before Transfers/loss on disposal	1,282,496	624,018	7,351	25,778	1,289,847	649,796	99%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	1,282,496	624,018	7,351	25,778	1,289,847	649,796	99%
Net assets beginning of year	2,052,299	1,428,281	36,681	10,903	2,088,980	1,439,184	45%
Net assets end of year	3,334,795	2,052,299	44,032	36,681	3,378,827	2,088,980	62%

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,069,855 and expenses were \$5,787,359.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2009	Net Cost of Services 2008
	\$	\$	\$	\$
Instruction	3,689,762	3,908,281	2,592,503	2,906,948
Support Services	1,762,943	2,169,316	1,761,832	2,156,669
Non-instructional Programs	-	5,550	-	5,550
Other Expenses	334,654	322,875	111,645	104,459
TOTAL	5,787,359	6,406,022	4,465,980	5,173,626

- The cost financed by users of the District's programs was \$294,976.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,026,403.
- The net cost of governmental activities was financed with \$3,405,450 in property and other taxes and \$2,235,760 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$235,776 and expenses were \$228,425. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Midland 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 \$1,674,091, above last year's ending fund balances of \$754,427.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors.
- The General Fund balance increased from \$(420,872) to \$451,485 due to decreased expenditures through staff reductions, a building closure, and implementing general cost reduction measures.
- The Capital Projects Fund balance increased due to decreased spending. The District ended fiscal 2009 with a balance of \$780,532. Fiscal 2008 ended with a balance of \$433,809.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$36,681 at June 30, 2008 to \$44,032 at June 30, 2009. A large portion of the increase revenue for the School Nutrition fund was due to a building closure and reduction of food service staff and an expansion of our a la carte program at the secondary building.

BUDGETARY HIGHLIGHTS

The District's receipts were \$481,869 less than budgeted receipts. The District received less miscellaneous income and state revenues than expected during the 2009 fiscal year, through additional grants and other miscellaneous sources.

Total expenditures were \$1,976,953 less than budgeted. This variance was due to the district's significant staff reductions, building closure, and the implementation of other cost reduction measures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$1,471,492, 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). More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$167,125.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2008-2009
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	42,857	42,857	-	-	42,857	42,857	0%
Construction in progress	36,422	-	-	-	36,422	-	100%
Buildings	340,510	111,955	-	-	340,510	111,955	204%
Improvements	614,889	619,576	-	-	614,889	619,576	-1%
Equipment & Furniture	424,553	439,950	12,261	14,922	436,814	454,872	-4%
TOTAL	1,459,231	1,214,338	12,261	14,922	1,471,492	1,229,260	20%

Long-Term Debt

At June 30, 2009, the District had \$28,500 in other long-term debt outstanding. This represents an decrease from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2009	2008	2007-2008
Termination benefits	\$ 28,500	\$ 126,466	-77%

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:

- Due to recent completion of property revaluation assessments, the District's total taxable valuation has increased from 08-09 by about 3 percent for property taxes collected in fiscal 09-10.
- School financing is highly dependent upon student enrollment. The District's October 2009 enrollment is expected to decrease by approximately 20 students. Students opened enrolled out has increased by 17 students. This drop in enrollment will decrease the District's funding for fiscal year 2010.
- The District is expecting the declining enrollment to level off.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2010 at a cost of \$70,000. To pay for the bus, the District will use resources from the Physical Plant and Equipment Levy (PPEL) and Local Option Sales & Service Taxes (LOSST).
- The District will negotiate a new negotiated agreement during fiscal 2010 with the Midland Education Association (MEA). Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The District will offer an Early Retirement Program in 09-10 for the 10-11 school year with anticipation of continued reductions of staff through attrition after retirement of staff. The school is also sharing positions with another District to reduce costs and increase revenue by generating money from the State for sharing of the specific positions.
- The most significant change is the 10% across the board cuts by the State for our cash balance. The District is continuing to build the cash reserve to be able to absorb shortfalls by the State.
- Additional steps to increase revenue were taken by continuing participation in Iowa School Joint Investment Trust program.

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 Brian Rodenberg, Superintendent, Midland Community School District, 109 Green Street, Wyoming, Iowa, 52362.

BASIC FINANCIAL STATEMENTS

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	307,897	-	307,897
Other	2,198,591	39,177	2,237,768
Receivables:			
Property tax:			
Delinquent	51,618	-	51,618
Succeeding year	2,880,482	-	2,880,482
Accounts	234	23	257
Accrued interest:			
ISCAP	2,848	-	2,848
Due from other governments	440,608	-	440,608
Inventories	-	3,416	3,416
Capital assets, net of accumulated depreciation	1,459,231	12,261	1,471,492
Total assets	7,341,509	54,877	7,396,386
Liabilities			
Accounts payable	220,981	-	220,981
Salaries and benefits payable	478,632	9,282	487,914
Deferred revenue:			
Succeeding year property tax	2,880,482	-	2,880,482
Other	86,805	1,563	88,368
ISCAP warrants payable	304,000	-	304,000
ISCAP accrued interest payable	3,998	-	3,998
ISCAP premium	3,316	-	3,316
Long-term liabilities:			
Portion due within one year:			
Termination benefits	28,500	-	28,500
Total liabilities	4,006,714	10,845	4,017,559
Net assets			
Invested in capital assets, net of related debt	1,459,231	12,261	1,471,492
Restricted for:			
Categorical funding	82,164	-	82,164
Management levy	299,422	-	299,422
Physical plant and equipment levy	59,293	-	59,293
Other special revenue purposes	54,859	-	54,859
Sales tax capital projects	780,532	-	780,532
Unrestricted	599,294	31,771	631,065
Total net assets	3,334,795	44,032	3,378,827

See notes to financial statements.

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,109,038	147,093	650,657	-
Special	1,047,891	59,755	30,854	-
Other	532,833	87,375	121,525	-
	<u>3,689,762</u>	<u>294,223</u>	<u>803,036</u>	<u>-</u>
Support services:				
Student	131,945	-	-	-
Instructional staff	76,631	-	-	-
Administration	546,817	-	-	-
Operation and maintenance of plant	526,677	129	-	-
Transportation	480,873	624	358	-
	<u>1,762,943</u>	<u>753</u>	<u>358</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	45,587	-	-	-
AEA flowthrough	223,009	-	223,009	-
Depreciation (unallocated)*	66,058	-	-	-
	<u>334,654</u>	<u>-</u>	<u>223,009</u>	<u>-</u>
Total governmental activities	5,787,359	294,976	1,026,403	-
Business type activities:				
Non-instructional programs:				
Food service operations	228,425	124,119	111,657	-
Total	<u>6,015,784</u>	<u>419,095</u>	<u>1,138,060</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$	\$	\$
(1,311,288)	-	(1,311,288)
(957,282)	-	(957,282)
<u>(323,933)</u>	-	<u>(323,933)</u>
<u>(2,592,503)</u>	-	<u>(2,592,503)</u>
(131,945)	-	(131,945)
(76,631)	-	(76,631)
(546,817)	-	(546,817)
(526,548)	-	(526,548)
<u>(479,891)</u>	-	<u>(479,891)</u>
<u>(1,761,832)</u>	-	<u>(1,761,832)</u>
(45,587)	-	(45,587)
-	-	-
<u>(66,058)</u>	-	<u>(66,058)</u>
<u>(111,645)</u>	-	<u>(111,645)</u>
(4,465,980)	-	(4,465,980)
-	7,351	7,351
<u>(4,465,980)</u>	<u>7,351</u>	<u>(4,458,629)</u>
2,567,021	-	2,567,021
200,717	-	200,717
256,133	-	256,133
381,579	-	381,579
2,235,760	-	2,235,760
90,246	-	90,246
<u>17,020</u>	-	<u>17,020</u>
<u>5,748,476</u>	-	<u>5,748,476</u>
1,282,496	7,351	1,289,847
<u>2,052,299</u>	<u>36,681</u>	<u>2,088,980</u>
<u>3,334,795</u>	<u>44,032</u>	<u>3,378,827</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	307,897	712,695	-	1,020,592
Other	1,043,718	-	442,178	1,485,896
Receivables:				
Property tax:				
Delinquent	47,897	-	3,721	51,618
Succeeding year	2,473,605	-	406,877	2,880,482
Accounts	234	-	-	234
Accrued interest - ISCAP	2,848	-	-	2,848
Due from other governments	360,607	80,001	-	440,608
Total assets	4,236,806	792,696	852,776	5,882,278
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	204,992	12,164	3,825	220,981
Salaries and benefits payable	478,632	-	-	478,632
ISCAP premium	3,316	-	-	3,316
ISCAP warrants payable	304,000	-	-	304,000
ISCAP accrued interest payable	3,998	-	-	3,998
Deferred revenue:				
Succeeding year property tax	2,473,605	-	406,877	2,880,482
Income surtax	229,973	-	-	229,973
Other	86,805	-	-	86,805
Total liabilities	3,785,321	12,164	410,702	4,208,187
Fund balances:				
Reserved for:				
Categorical funding	82,164	-	-	82,164
Unreserved reported in:				
General fund	369,321	-	-	369,321
Special revenue funds	-	-	442,074	442,074
Capital projects funds	-	780,532	-	780,532
Total fund balances	451,485	780,532	442,074	1,674,091
Total liabilities and fund balances	4,236,806	792,696	852,776	5,882,278

MIDLAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

	\$
Total fund balances of governmental funds (Exhibit C)	1,674,091
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,459,231
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	229,973
Long-term liabilities, including termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(28,500)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,334,795</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,803,181	381,579	200,717	3,385,477
Tuition	136,663	-	-	136,663
Other	139,219	5,656	103,684	248,559
State sources	3,034,148	-	144	3,034,292
Federal sources	227,871	-	-	227,871
Total revenues	<u>6,341,082</u>	<u>387,235</u>	<u>304,545</u>	<u>7,032,862</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,165,780	-	23,334	2,189,114
Special	1,047,891	-	-	1,047,891
Other	452,448	-	80,385	532,833
	<u>3,666,119</u>	<u>-</u>	<u>103,719</u>	<u>3,769,838</u>
Support services:				
Student	131,920	-	25	131,945
Instructional staff	76,542	-	89	76,631
Administration	505,846	-	50,149	555,995
Operation and maintenance of plant	474,598	-	49,917	524,515
Transportation	391,611	-	84,739	476,350
	<u>1,580,517</u>	<u>-</u>	<u>184,919</u>	<u>1,765,436</u>
Other expenditures:				
Facilities acquisition	-	40,512	331,423	371,935
AEA flowthrough	223,009	-	-	223,009
	<u>223,009</u>	<u>40,512</u>	<u>331,423</u>	<u>594,944</u>
Total expenditures	<u>5,469,645</u>	<u>40,512</u>	<u>620,061</u>	<u>6,130,218</u>
Excess (deficiency) of revenues over (under) expenditures	871,437	346,723	(315,516)	902,644
Other financing sources (uses):				
Sales of equipment and real property	920	-	16,100	17,020
Net change in fund balances	872,357	346,723	(299,416)	919,664
Fund balances beginning of year	<u>(420,872)</u>	<u>433,809</u>	<u>741,490</u>	<u>754,427</u>
Fund balances end of year	<u><u>451,485</u></u>	<u><u>780,532</u></u>	<u><u>442,074</u></u>	<u><u>1,674,091</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		919,664
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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 exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	409,357	
Depreciation expense	<u>(164,464)</u>	244,893
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		19,973
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 the governmental funds, as follows:		
Termination benefits		<u>97,966</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,282,496</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	39,177
Accounts receivable	23
Inventories	3,416
Capital assets, net of accumulated depreciation	<u>12,261</u>
Total assets	<u>54,877</u>
Liabilities	
Salaries and benefits payable	9,282
Deferred revenue	<u>1,563</u>
Total liabilities	<u>10,845</u>
Net assets	
Invested in capital assets	12,261
Unrestricted	<u>31,771</u>
Total net assets	<u><u>44,032</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>124,119</u>
Operating expenses:	
Non-instructional programs:	
Salaries	106,860
Benefits	14,990
Purchased services	5,909
Supplies	98,005
Depreciation	<u>2,661</u>
Total operating expenses	<u>228,425</u>
Operating gain (loss)	<u>(104,306)</u>
Non-operating revenues:	
State sources	2,725
Federal sources	<u>108,932</u>
Total non-operating revenues	<u>111,657</u>
Change in net assets	7,351
Net assets beginning of year	<u>36,681</u>
Net assets end of year	<u><u>44,032</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	123,634
Cash payments to employees for services	(121,508)
Cash payments to suppliers for goods or services	(94,071)
Net cash used by operating activities	<u>(91,945)</u>
Cash flows from non-capital financing activities:	
State grants received	2,725
Federal grants received	100,180
Net cash provided by non-capital financing activities	<u>102,905</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	10,960
Cash and cash equivalents at beginning of year	<u>28,217</u>
Cash and cash equivalents at end of year	<u><u>39,177</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(104,306)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	8,752
Depreciation	2,661
Decrease (increase) in inventories	1,091
Decrease (increase) in accounts receivable	33
(Decrease) increase in salaries and benefits payable	342
(Decrease) increase in deferred revenue	(518)
Net cash used by operating activities	<u><u>(91,945)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009 the District received \$8,752 of federal commodities.

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	15,796
Accrued interest receivable	<u>99</u>
Total Assets	15,895
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>15,895</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Interest	701
Deductions:	
Support services:	
Scholarships awarded	<u>701</u>
Change in net assets	-
Net assets beginning of year	<u>15,895</u>
Net assets end of year	<u><u>15,895</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

Midland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Wyoming, Onslow, Oxford Junction, Lost Nation, Center Junction and Monmouth, Iowa and the predominately agricultural territory in a portion of Jones, Jackson, Clinton and Cedar 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, Midland 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 Midland Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 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's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary 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 judgements, and compensated absences 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 fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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, 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 the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current 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 year 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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 repair 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 over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and 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 and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, the District did not exceed the amounts budgeted.

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	1,529,097

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.

3. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2008-09B	01/21/09	01/21/10	<u>307,897</u>	<u>2,848</u>	<u>304,000</u>	<u>3,998</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
<u>-</u>	<u>697,500</u>	<u>697,500</u>	<u>-</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2008-09A	3.500	3.469
2008-09B	3.000	2.110

4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	42,857	-	-	42,857
Construction in progress	-	36,422	-	36,422
	<u>42,857</u>	<u>36,422</u>	<u>-</u>	<u>79,279</u>
Capital assets being depreciated:				
Buildings	2,728,650	276,445	264,852	2,740,243
Improvements other than buildings	945,282	13,481	-	958,763
Furniture and equipment	1,520,318	83,009	118,893	1,484,434
Total capital assets being deprec.	<u>5,194,250</u>	<u>372,935</u>	<u>383,745</u>	<u>5,183,440</u>
Less accumulated depreciation for:				
Buildings	2,616,695	47,890	264,852	2,399,733
Improvements other than buildings	325,706	18,168	-	343,874
Furniture and equipment	1,080,368	98,406	118,893	1,059,881
Total accumulated depreciation	<u>4,022,769</u>	<u>164,464</u>	<u>383,745</u>	<u>3,803,488</u>
Total capital assets being depreciated, net	<u>1,171,481</u>	<u>208,471</u>	<u>-</u>	<u>1,379,952</u>
Governmental activities capital assets, net	<u>1,214,338</u>	<u>244,893</u>	<u>-</u>	<u>1,459,231</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	104,033	-	-	104,033
Less accumulated depreciation	89,111	2,661	-	91,772
Business type activities capital assets, net	<u>14,922</u>	<u>(2,661)</u>	<u>-</u>	<u>12,261</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	17,890
Support services:	
Operation and maintenance of plant services	2,162
Transportation	78,354
	<u>98,406</u>
Unallocated depreciation	<u>66,058</u>
Total depreciation expense – governmental activities	<u>164,464</u>
Business type activities:	
Food services	<u>2,661</u>

5. 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
	\$	\$	\$	\$	\$
Termination benefits	126,466	-	97,966	28,500	28,500

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 50% of the employee's regular contractual salary in effect during the employee's last year of employment.

At June 30, 2009, the District has obligations to five participants with a total liability of \$28,500. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$97,966.

General Obligation Bonds Payable

The District had no bonded indebtedness at June 30, 2009.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$190,166, \$208,985 and \$220,435 respectively, equal to the required contributions for each year.

7. Risk Management

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$223,009 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.

9. Construction Commitment

The District has entered into a \$323,750 contract for architect services. As of June 30, 2009 costs of \$36,422 had been incurred against the contract. The balance remaining at June 30, 2009 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

MIDLAND COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,770,699	124,119	3,894,818	4,065,787	4,065,787	(170,969)
State sources	3,034,292	2,725	3,037,017	3,309,720	3,309,720	(272,703)
Federal sources	227,871	108,932	336,803	375,000	375,000	(38,197)
Total revenues	<u>7,032,862</u>	<u>235,776</u>	<u>7,268,638</u>	<u>7,750,507</u>	<u>7,750,507</u>	<u>(481,869)</u>
Expenditures/Expenses:						
Instruction	3,769,838	-	3,769,838	4,096,767	4,096,767	326,929
Support services	1,765,436	-	1,765,436	2,326,550	2,326,550	561,114
Non-instructional programs	-	228,425	228,425	302,903	302,903	74,478
Other expenditures	594,944	-	594,944	1,609,376	1,609,376	1,014,432
Total expenditures/expenses	<u>6,130,218</u>	<u>228,425</u>	<u>6,358,643</u>	<u>8,335,596</u>	<u>8,335,596</u>	<u>1,976,953</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	902,644	7,351	909,995	(585,089)	(585,089)	1,495,084
Other financing sources (uses) net	<u>17,020</u>	<u>-</u>	<u>17,020</u>	<u>2,000</u>	<u>2,000</u>	<u>15,020</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	919,664	7,351	927,015	(583,089)	(583,089)	1,510,104
Balance beginning of year	<u>754,427</u>	<u>36,681</u>	<u>791,108</u>	<u>1,146,172</u>	<u>1,146,172</u>	<u>(355,064)</u>
Balance end of year	<u><u>1,674,091</u></u>	<u><u>44,032</u></u>	<u><u>1,718,123</u></u>	<u><u>563,083</u></u>	<u><u>563,083</u></u>	<u><u>1,155,040</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard 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 except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a 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. The District did not amend its budget during the year.

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Cash and pooled investments	327,923	56,071	58,184	442,178
Receivables:				
Property tax:				
Delinquent	-	-	3,721	3,721
Succeeding year	199,999	-	206,878	406,877
Total assets	527,922	56,071	268,783	852,776
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	1	1,212	2,612	3,825
Deferred revenue:				
Succeeding year property tax	199,999	-	206,878	406,877
Total liabilities	200,000	1,212	209,490	410,702
Fund balances:				
Unreserved reported in:				
Special revenue funds	327,922	54,859	59,293	442,074
Total liabilities and fund balances	527,922	56,071	268,783	852,776

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Equipment		
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	-	200,717	200,717
Other	14,478	88,398	808	103,684
State sources	-	-	144	144
Total revenues	<u>14,478</u>	<u>88,398</u>	<u>201,669</u>	<u>304,545</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,156	-	9,178	23,334
Other	-	80,385	-	80,385
Support services:				
Student	25	-	-	25
Instructional staff	89	-	-	89
Administration	31,170	-	18,979	50,149
Operation and maintenance of plant	49,355	562	-	49,917
Transportation	17,308	-	67,431	84,739
Other expenditures:				
Facilities acquisition	-	-	331,423	331,423
Total expenditures	<u>112,103</u>	<u>80,947</u>	<u>427,011</u>	<u>620,061</u>
Excess (deficiency) of revenues over (under) expenditures	(97,625)	7,451	(225,342)	(315,516)
Other financing sources (uses):				
Sales of real property	-	-	16,100	16,100
Net change in fund balance	(97,625)	7,451	(209,242)	(299,416)
Fund balances beginning of year	<u>425,547</u>	<u>47,408</u>	<u>268,535</u>	<u>741,490</u>
Fund balances end of year	<u><u>327,922</u></u>	<u><u>54,859</u></u>	<u><u>59,293</u></u>	<u><u>442,074</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Band revolving	170	316	185	-	301
K-5 vocal music	272	-	-	-	272
Big East Conference	239	1,230	1,347	315	437
Scoreboard account	112	-	-	-	112
Athletics	(2,754)	32,063	32,484	(315)	(3,490)
Yearbook	4,255	-	55	-	4,200
HS student council	5,328	8,850	7,684	195	6,689
N.H.S./fund balance	89	329	253	-	165
SES (Dance team)	320	230	270	-	280
Drama club	147	-	123	-	24
Cheerleaders	531	974	969	-	536
FCCLA	1,096	-	-	-	1,096
Ag. club	6,738	14,418	13,320	2,964	10,800
LRP club	-	-	217	217	-
Foreign language club	2,977	120	125	(217)	2,755
Invent Iowa	317	-	-	-	317
MS student council	1,065	221	667	-	619
Savings interest	-	217	-	-	217
SAFE	50	-	-	-	50
FFA wildflower co-op	6,546	-	-	-	6,546
Tatu (Stand)	340	-	-	-	340
Environment grant fund	931	-	599	-	332
OJ book fairs	589	1,118	1,118	-	589
Fine arts	1,979	1,720	1,756	-	1,943
4th & 5th Incentive	737	-	-	-	737
Onslow elementary (pop account)	570	1,519	213	-	1,876
Art fund	-	61	-	(42)	19
Art club	48	818	78	42	830
Boys basketball camp	-	302	-	-	302
Interest	468	306	-	(774)	-
High school incentives	539	17,866	11,953	(4,143)	2,309
Onslow book fair	1,115	556	556	-	1,115
Oxford junction pop machine	942	888	776	-	1,054
OJ 4 & 5 incentive	696	2,454	1,296	(100)	1,754
Onslow K-3 activity	403	-	-	-	403
Onslow box top	2,024	925	798	-	2,151
OJ/BELC donation/fund balance	1,514	500	781	-	1,233
ONS/BELC donation/fund balance	250	-	-	-	250
OJ elem. assistance/fund balance	47	-	-	-	47
Middle school incentives	1,124	-	-	-	1,124

See accompanying independent auditor's report.

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Sound system balance	60	-	-	-	60
Print cartridge fund	-	27	-	100	127
Kelly Block-Davidson memorial	1,920	-	-	-	1,920
Class of 2007	939	-	-	(939)	-
Class of 2008	232	35	-	(267)	-
Class of 2009	2,413	-	2,130	-	283
Class of 2010	30	335	1,194	2,964	2,135
	<u>47,408</u>	<u>88,398</u>	<u>80,947</u>	<u>-</u>	<u>54,859</u>
Totals	<u>47,408</u>	<u>88,398</u>	<u>80,947</u>	<u>-</u>	<u>54,859</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	3,385,477	3,346,942	3,352,829	3,142,356	3,284,634	3,351,863
Tuition	136,663	155,580	164,339	107,249	103,064	125,238
Other	248,559	306,207	278,862	248,238	205,937	193,666
State sources	3,034,292	2,935,668	2,659,188	2,730,699	2,818,011	2,759,844
Federal sources	227,871	244,829	244,016	268,619	260,998	229,029
Total revenues	<u>7,032,862</u>	<u>6,989,226</u>	<u>6,699,234</u>	<u>6,497,161</u>	<u>6,672,644</u>	<u>6,662,476</u>
Expenditures:						
Instruction:						
Regular	2,189,114	2,211,829	2,519,018	2,392,213	2,396,800	2,399,410
Special	1,047,891	1,019,536	866,378	842,127	892,618	1,056,081
Other	532,833	765,087	762,651	748,183	618,321	430,536
Support services:						
Student	131,945	304,769	285,577	291,357	264,784	245,736
Instructional staff	76,631	86,282	192,303	247,796	138,643	92,767
Administration	555,995	730,835	878,838	865,207	710,244	634,671
Operation and maintenance	524,515	570,287	623,125	633,546	554,315	503,425
Transportation	476,350	536,759	533,177	448,985	382,458	465,503
Non-instructional programs	-	5,550	-	-	-	-
Other expenditures:						
Facilities acquisition	371,935	326,577	204,622	317,742	284,010	365,570
AEA flowthrough	223,009	218,416	212,007	205,468	207,443	213,534
Total expenditures	<u>6,130,218</u>	<u>6,775,927</u>	<u>7,077,696</u>	<u>6,992,624</u>	<u>6,449,636</u>	<u>6,407,233</u>

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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 of
Midland Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Midland 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 our report thereon dated April 28, 2010. We conducted our 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 our audit, we considered Midland Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Midland Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Midland Community School District's internal control over financial reporting.

Our 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, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we 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 Midland 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 Midland Community School District's financial statements that is more than inconsequential will not be prevented or detected by Midland Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses 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 Midland Community School District's internal control.

Our 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, we believe items 09-I-A and 09-I-B are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midland Community School District's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

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 our audit of the financial statements of the District. Since our 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.

Midland Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Midland Community School District's responses and, accordingly, we 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 Midland Community School District and other parties to whom Midland Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 28, 2010

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, 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 we 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: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

09-I-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 be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

- 09-II-A Certified Budget: Expenditures for the year ended June 30, 2009 did not exceed the amounts budgeted.
- 09-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 09-II-C Travel Expenses: 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.
- 09-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Josh Soper, Board Member	Baseball coach	\$ 833

Recommendation: Business with District officials is not a conflict of interest if bids are taken, or the total amount is less than \$2,500. Board Members are allowed to be part-time/temporary employees with annual wages less than \$2,500, effective July 1, 2001. The District should consult with their attorney regarding transactions with school officials that may be conflicts of interest.

District Response: We are aware of the conflict of interest rules and will consult with an attorney when necessary.

Conclusion: Response accepted.

- 09-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 09-II-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the board.
- 09-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 09-II-H Deposits and Investments: 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 were noted, except a resolution naming official depositories has not been approved by the District.

Recommendation: A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

District Response: We will adopt a resolution.

Conclusion: Response accepted.

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (continued):

09-II-I Certified Annual Report: The Certified Annual Report was certified timely to the Iowa Department of Education.

09-II-J Categorical Funding: Except as noted, no instances were noted of categorical funding being used to supplant rather than supplement other funds. The District allocated \$70,709 or 100% of guidance counselor salary to the District's Returning Dropout and Dropout Prevention program. The \$70,709 cost allocation does not appear to be an allowable cost for this program in accordance with Chapter 256D.2 of the Code of Iowa and Iowa Department of Education administrative rules. Only the portion of the guidance counselor's time spent working on the Returning Dropout and Dropout Prevention program may be charged to the program

Recommendation: The District should contact the Iowa Department of Education regarding corrective action required. In the future, the District should not allocate 100% of guidance counselor salary costs to the Returning Dropout and Dropout Prevention program. The questioned costs of \$70,709 should be reported as reserved fund balance.

Response: As recommended, we will contact the Iowa Department of Education to determine the corrective action required. We will refrain from charging 100% of guidance counselor salary costs to this program.

Conclusion: Response accepted.

09-II-K 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:

	\$	
Beginning balance		-
Statewide sales and services tax revenue		381,579
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements		<u>40,512</u>
Ending balance		<u>341,067</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (continued):

09-II-L Physical Plant and Equipment Levy Fund Expenditures (PPEL): The PPEL property tax levy may be spent to purchase and improve grounds; to construct buildings; to purchase or lease a single unit of equipment or technology exceeding \$500 in value per unit; to repair, remodel improve, or expand buildings; for energy conservation; and to purchase transportation equipment.

We noted that \$1,165 of PPEL monies were spent for computer repairs. Equipment repairs are not an allowable use of PPEL monies.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and should have the General Fund reimburse the Physical Plant and Equipment Fund for the purchases.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.

08-II-M Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The District used the Student Activity Fund to account for its book fair, which raises money to purchase library books. This activity would be more appropriate in the General Fund since it is not extracurricular or co-curricular in nature.

Recommendation: The District should review the types of activities being accounted for in the Student Activity Fund and make the appropriate reclassifications.

District Response: We will review the types of transactions being recorded in the Student Activity Fund and make any necessary fund reclassifications.

Conclusion: Response accepted.