

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
WELLMAN, IOWA

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

JUNE 30, 2010

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MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u>                      | <u>Title</u>                        | <u>Term Expires</u> |
|----------------------------------|-------------------------------------|---------------------|
| <u>Board of Education</u>        |                                     |                     |
| (Before September 2009 Election) |                                     |                     |
| James Hussey                     | President                           | 2009                |
| Jack Dillon                      | Vice President                      | 2009                |
| Fred Lampe                       | Board Member                        | 2009                |
| Randy Billups                    | Board Member                        | 2011                |
| Jeremy Pickard                   | Board Member                        | 2011                |
| Rob Stout                        | Board Member                        | 2011                |
| George Schaefer                  | Board Member                        | 2011                |
| <u>Board of Education</u>        |                                     |                     |
| (After September 2009 Election)  |                                     |                     |
| James Hussey                     | President                           | 2013                |
| Jack Dillon                      | Vice President                      | 2013                |
| Randy Billups                    | Board Member                        | 2011                |
| Jeremy Pickard                   | Board Member                        | 2011                |
| Rob Stout                        | Board Member                        | 2011                |
| George Schaefer                  | Board Member                        | 2011                |
| Stacia Bontrager                 | Board Member                        | 2013                |
| <u>School Officials</u>          |                                     |                     |
| Mark Schneider                   | Superintendent                      | 2010                |
| Douglas Slaubaugh                | District Secretary/Business Manager | 2010                |
| Joseph Holland                   | Attorney                            | 2010                |

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Mid-Prairie 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 Mid-Prairie Community School District, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 Mid-Prairie Community School District at June 30, 2010, 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 March 2, 2011 on our consideration of Mid-Prairie 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. 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.

Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 38 through 40 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. However, we did not audit the information and express no opinion on it.

The District has not presented Management's Discussion and Analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mid-Prairie Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2008 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the component unit foundation and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The financial statements for the two years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 as a whole.

Oskaloosa, Iowa  
March 2, 2011

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## Basic Financial Statements

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2010

|  | Governmental<br>Activities | Business-type<br>Activities | Total             |
|--|----------------------------|-----------------------------|-------------------|
| <b>Assets</b>  |                            |                             |                   |
| Cash and pooled investments                              | \$ 4,874,298               | \$ 13,202                   | \$ 4,887,500      |
| Receivables:   |                            |                             |                   |
| Property tax:  |                            |                             |                   |
| Current year   | 53,018                     | -                           | 53,018            |
| Succeeding year  | 4,708,462                  | -                           | 4,708,462         |
| Income surtax  | 582,585                    | -                           | 582,585           |
| Due from other governments                               | 629,384                    | -                           | 629,384           |
| Inventories  | -                          | 7,462                       | 7,462             |
| Capital assets, net of accumulated depreciation (note 4) | 6,151,382                  | 47,747                      | 6,199,129         |
| <b>Total assets</b>                                      | <b>16,999,129</b>          | <b>68,411</b>               | <b>17,067,540</b> |
| <b>Liabilities</b>                                       |                            |                             |                   |
| Accounts payable   | 491,212                    | 116                         | 491,328           |
| Salaries and benefits payable                            | 1,131,523                  | 34,488                      | 1,166,011         |
| Accrued interest payable                                 | 3,969                      | -                           | 3,969             |
| Deferred revenue:  |                            |                             |                   |
| Succeeding year property tax                             | 4,708,462                  | -                           | 4,708,462         |
| Other  | 688,097                    | 8,143                       | 696,240           |
| Long-term liabilities (notes 5 and 6):                   |                            |                             |                   |
| Portion due within one year:                             |                            |                             |                   |
| Early retirement   | 40,350                     | -                           | 40,350            |
| Bonds payable  | 355,000                    | -                           | 355,000           |
| Portion due after one year:                              |                            |                             |                   |
| Early retirement   | 129,875                    | -                           | 129,875           |
| Bonds payable  | 1,935,000                  | -                           | 1,935,000         |
| Net OPEB liability                                       | 94,000                     | -                           | 94,000            |
| <b>Total liabilities</b>                                 | <b>9,577,488</b>           | <b>42,747</b>               | <b>9,620,235</b>  |

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2010

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>        |
|---|------------------------------------|-------------------------------------|---------------------|
| Net Assets                                      |                                    |                                     |                     |
| Invested in capital assets, net of related debt | \$ 3,861,382                       | \$ 47,747                           | \$ 3,909,129        |
| Restricted for:                                 |                                    |                                     |                     |
| Categorical funding (note 10)                   | 286,534                            | -                                   | 286,534             |
| Management levy                                 | 144,367                            | -                                   | 144,367             |
| Physical plant and equipment levy               | 384,293                            | -                                   | 384,293             |
| Other special revenue purposes                  | 52,123                             | -                                   | 52,123              |
| Debt service                                    | 5,168                              | -                                   | 5,168               |
| Capital projects                                | 1,815,892                          | -                                   | 1,815,892           |
| Unrestricted                                    | <u>871,882</u>                     | <u>(22,083)</u>                     | <u>849,799</u>      |
| Total net assets                                | <u>\$ 7,421,641</u>                | <u>\$ 25,664</u>                    | <u>\$ 7,447,305</u> |

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

| Functions/Programs                          | Expenses             | Program Revenues     |                                    |                                  |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Governmental Activities:</b>             |                      |                      |                                    |                                  |
| Instruction                                 | \$ 9,012,528         | \$ 1,623,117         | \$ 1,895,532                       | \$ -                             |
| Support services:                           |                      |                      |                                    |                                  |
| Student services                            | 172,419              | -                    | -                                  | -                                |
| Instructional staff services                | 463,632              | -                    | -                                  | -                                |
| Administration services                     | 1,097,384            | -                    | -                                  | -                                |
| Operation and maintenance of plant services | 790,330              | 9,478                | 4,309                              | -                                |
| Transportation services                     | 562,259              | 8,459                | 61,707                             | -                                |
|   | <u>3,086,024</u>     | <u>17,937</u>        | <u>66,016</u>                      | <u>-</u>                         |
| Non-instructional programs                  | <u>3,450</u>         | <u>-</u>             | <u>-</u>                           | <u>-</u>                         |
| Other expenditures:                         |                      |                      |                                    |                                  |
| Facilities acquisition                      | 448,369              | -                    | -                                  | 57,475                           |
| Long-term debt interest and fiscal charges  | 52,741               | -                    | -                                  | -                                |
| AEA flowthrough                             | 488,089              | -                    | 488,089                            | -                                |
| Depreciation (unallocated) *                | 253,806              | -                    | -                                  | -                                |
|   | <u>1,243,005</u>     | <u>-</u>             | <u>488,089</u>                     | <u>57,475</u>                    |
| Total governmental activities               | <u>13,345,007</u>    | <u>1,641,054</u>     | <u>2,449,637</u>                   | <u>57,475</u>                    |
| <b>Business-Type Activities:</b>            |                      |                      |                                    |                                  |
| Non-instructional programs:                 |                      |                      |                                    |                                  |
| Food service operations                     | <u>559,936</u>       | <u>304,192</u>       | <u>224,193</u>                     | <u>3,450</u>                     |
| Total                                       | <u>\$ 13,904,943</u> | <u>\$ 1,945,246</u>  | <u>\$ 2,673,830</u>                | <u>\$ 60,925</u>                 |

Net (Expense) Revenue  
and Changes in Net Assets

| Governmental<br>Activities | Business-Type<br>Activities | Total          |
|----------------------------|-----------------------------|----------------|
| \$ (5,493,879)             | \$ -                        | \$ (5,493,879) |
| (172,419)                  | -                           | (172,419)      |
| (463,632)                  | -                           | (463,632)      |
| (1,097,384)                | -                           | (1,097,384)    |
| (776,543)                  | -                           | (776,543)      |
| (492,093)                  | -                           | (492,093)      |
| (3,002,071)                | -                           | (3,002,071)    |
| (3,450)                    | -                           | (3,450)        |
| (390,894)                  | -                           | (390,894)      |
| (52,741)                   | -                           | (52,741)       |
| -                          | -                           | -              |
| (253,806)                  | -                           | (253,806)      |
| (697,441)                  | -                           | (697,441)      |
| (9,196,841)                | -                           | (9,196,841)    |
| -                          | (28,101)                    | (28,101)       |
| (9,196,841)                | (28,101)                    | (9,224,942)    |

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

Functions/Programs

---

General revenues:

Property tax levied for:

General purposes

Debt service

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 included  
in the direct expenses of the various programs.

See notes to financial statements.

| Net (Expense) Revenue<br>and Changes in Net Assets |                             |                     |
|--|-----------------------------|---------------------|
| Governmental<br>Activities                         | Business-Type<br>Activities | Total               |
| \$ 3,913,116                                       | \$ -                        | \$ 3,913,116        |
| 370,203  | -                           | 370,203             |
| 177,237  | -                           | 177,237             |
| 631,787  | -                           | 631,787             |
| 823,168  | -                           | 823,168             |
| 4,263,228  | -                           | 4,263,228           |
| 32,128   | 145                         | 32,273              |
| 155,105  | -                           | 155,105             |
| <u>10,365,972</u>                                  | <u>145</u>                  | <u>10,366,117</u>   |
| 1,169,131  | (27,956)                    | 1,141,175           |
| <u>6,252,510</u>                                   | <u>53,620</u>               | <u>6,306,130</u>    |
| <u>\$ 7,421,641</u>                                | <u>\$ 25,664</u>            | <u>\$ 7,447,305</u> |

## MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

|  | General             | Capital<br>Projects | Nonmajor            | Total                |
|--|---------------------|---------------------|---------------------|----------------------|
| <b>Assets</b>                              |                     |                     |                     |                      |
| Cash and pooled investments                | \$ 2,453,004        | \$ 1,827,791        | \$ 593,503          | \$ 4,874,298         |
| Receivables:                               |                     |                     |                     |                      |
| Property tax:                              |                     |                     |                     |                      |
| Current year                               | 44,165              | -                   | 8,853               | 53,018               |
| Succeeding year                            | 3,964,655           | -                   | 743,807             | 4,708,462            |
| Income surtax                              | 233,034             | -                   | 349,551             | 582,585              |
| Due from other governments                 | 488,656             | 140,728             | -                   | 629,384              |
| <b>Total assets</b>                        | <b>\$ 7,183,514</b> | <b>\$ 1,968,519</b> | <b>\$ 1,695,714</b> | <b>\$ 10,847,747</b> |
| <b>Liabilities and Fund Balances</b>       |                     |                     |                     |                      |
| <b>Liabilities:</b>                        |                     |                     |                     |                      |
| Accounts payable                           | \$ 146,823          | \$ 152,627          | \$ 191,762          | \$ 491,212           |
| Salaries and benefits payable              | 1,131,523           | -                   | -                   | 1,131,523            |
| Deferred revenue:                          |                     |                     |                     |                      |
| Succeeding year property tax               | 3,964,655           | -                   | 743,807             | 4,708,462            |
| Other                                      | 921,131             | -                   | 349,551             | 1,270,682            |
| <b>Total liabilities</b>                   | <b>6,164,132</b>    | <b>152,627</b>      | <b>1,285,120</b>    | <b>7,601,879</b>     |
| <b>Fund balances:</b>                      |                     |                     |                     |                      |
| Reserved for:                              |                     |                     |                     |                      |
| Categorical funding (note 10)              | 286,534             | -                   | -                   | 286,534              |
| Debt service                               | -                   | -                   | 9,137               | 9,137                |
| Unreserved:                                |                     |                     |                     |                      |
| Designated for student programs            | 69,768              | -                   | -                   | 69,768               |
| Undesignated, reported in:                 |                     |                     |                     |                      |
| General fund                               | 663,080             | -                   | -                   | 663,080              |
| Special revenue funds                      | -                   | -                   | 401,457             | 401,457              |
| Capital projects fund                      | -                   | 1,815,892           | -                   | 1,815,892            |
| <b>Total fund balances</b>                 | <b>1,019,382</b>    | <b>1,815,892</b>    | <b>410,594</b>      | <b>3,245,868</b>     |
| <b>Total liabilities and fund balances</b> | <b>\$ 7,183,514</b> | <b>\$ 1,968,519</b> | <b>\$ 1,695,714</b> | <b>\$ 10,847,747</b> |

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2010

|   |                     |
|---|---------------------|
| Total fund balances of governmental funds   | \$ 3,245,868        |
| 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.  | 6,151,382           |
| Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.  | 582,585             |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.  | (3,969)             |
| Long-term liabilities, including bonds payable, net OPEB liability and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(2,554,225)</u>  |
| Net assets of governmental activities   | <u>\$ 7,421,641</u> |

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

|  | General           | Capital<br>Projects | Nonmajor         | Total             |
|--|-------------------|---------------------|------------------|-------------------|
| Revenues:  |                   |                     |                  |                   |
| Local sources:   |                   |                     |                  |                   |
| Local tax  | \$ 3,706,060      | \$ 823,168          | \$ 1,110,288     | \$ 5,639,516      |
| Tuition  | 1,160,192         | -                   | -                | 1,160,192         |
| Other  | 352,468           | 1,037               | 376,799          | 730,304           |
| State sources  | 5,502,574         | -                   | 283              | 5,502,857         |
| Federal sources  | 1,205,901         | -                   | -                | 1,205,901         |
| Total revenues   | <u>11,927,195</u> | <u>824,205</u>      | <u>1,487,370</u> | <u>14,238,770</u> |
| Expenditures:  |                   |                     |                  |                   |
| Current:   |                   |                     |                  |                   |
| Instruction  | <u>8,567,258</u>  | -                   | 386,054          | <u>8,953,312</u>  |
| Support services:  |                   |                     |                  |                   |
| Student services   | 175,123           | -                   | 969              | 176,092           |
| Instructional staff services                                 | 363,420           | 96,890              | -                | 460,310           |
| Administration services                                      | 1,081,281         | -                   | -                | 1,081,281         |
| Operation and maintenance of plant services                  | 745,544           | -                   | 18,734           | 764,278           |
| Transportation services                                      | 440,944           | -                   | 308,492          | 749,436           |
|  | <u>2,806,312</u>  | <u>96,890</u>       | <u>328,195</u>   | <u>3,231,397</u>  |
| Non-instructional programs                                   | -                 | -                   | 3,450            | <u>3,450</u>      |
| Other expenditures:  |                   |                     |                  |                   |
| Facilities acquisition                                       | -                 | 1,080,382           | 294,363          | 1,374,745         |
| Long term debt:  |                   |                     |                  |                   |
| Principal  | -                 | -                   | 355,000          | 355,000           |
| Interest and fiscal charges                                  | -                 | -                   | 53,355           | 53,355            |
| AEA flowthrough  | 488,089           | -                   | -                | 488,089           |
|  | <u>488,089</u>    | <u>1,080,382</u>    | <u>702,718</u>   | <u>2,271,189</u>  |
| Total expenditures   | <u>11,861,659</u> | <u>1,177,272</u>    | <u>1,420,417</u> | <u>14,459,348</u> |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>65,536</u>     | <u>(353,067)</u>    | <u>66,953</u>    | <u>(220,578)</u>  |

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

|                                      | <u>General</u>      | <u>Capital<br/>Projects</u> | <u>Nonmajor</u>   | <u>Total</u>        |
|--------------------------------------|---------------------|-----------------------------|-------------------|---------------------|
| Other financing sources (uses):      |                     |                             |                   |                     |
| Sale of equipment                    | \$ 1,084            | \$ -                        | \$ -              | \$ 1,084            |
| Interfund transfers in (note 3)      | -                   | -                           | 40,000            | 40,000              |
| Interfund transfers out (note 3)     | -                   | (40,000)                    | -                 | (40,000)            |
| Total other financing sources (uses) | <u>1,084</u>        | <u>(40,000)</u>             | <u>40,000</u>     | <u>1,084</u>        |
| Net change in fund balances          | 66,620              | (393,067)                   | 106,953           | (219,494)           |
| Fund balances beginning of year      | <u>952,762</u>      | <u>2,208,959</u>            | <u>303,641</u>    | <u>3,465,362</u>    |
| Fund balances end of year            | <u>\$ 1,019,382</u> | <u>\$ 1,815,892</u>         | <u>\$ 410,594</u> | <u>\$ 3,245,868</u> |

See notes to financial statements.

## MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ (219,494)

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 Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

|                                 |                  |         |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | \$ 1,332,241     |         |
| Depreciation expense            | <u>(418,199)</u> | 914,042 |

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 274,284

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 355,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 614

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:

|                    |                 |                  |
|--------------------|-----------------|------------------|
| Early retirement   | (61,315)        |                  |
| Net OPEB liability | <u>(94,000)</u> | <u>(155,315)</u> |

Change in net assets of governmental activities \$ 1,169,131

See notes to financial statements.

## MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2010

|  | <u>School<br/>Nutrition</u> | <u>Nonmajor-<br/>Latchkey<br/>Daycare</u> | <u>Total</u>     |
|--|-----------------------------|---|------------------|
| Assets   |                             |   |                  |
| Cash and cash equivalents                                | \$ 12,176                   | \$ 1,026                                  | \$ 13,202        |
| Inventories  | 7,462                       | -   | 7,462            |
| Capital assets, net of accumulated depreciation (note 4) | 47,747                      | -   | 47,747           |
| Total assets   | <u>67,385</u>               | <u>1,026</u>                              | <u>68,411</u>    |
| Liabilities  |                             |   |                  |
| Accounts payable   | 116                         | -   | 116              |
| Salaries and benefits payable                            | 34,485                      | 3   | 34,488           |
| Deferred revenue   | 8,143                       | -   | 8,143            |
| Total liabilities  | <u>42,744</u>               | <u>3</u>                                  | <u>42,747</u>    |
| Net Assets   |                             |   |                  |
| Invested in capital assets                               | 47,747                      | -   | 47,747           |
| Unrestricted   | <u>(23,106)</u>             | <u>1,023</u>                              | <u>(22,083)</u>  |
| Total net assets   | <u>\$ 24,641</u>            | <u>\$ 1,023</u>                           | <u>\$ 25,664</u> |

See notes to financial statements.

## MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

|                              | <u>School<br/>Nutrition</u> | <u>Nonmajor-<br/>Latchkey<br/>Daycare</u> | <u>Total</u>     |
|------------------------------|-----------------------------|---|------------------|
| Operating revenues:          |                             |   |                  |
| Local sources:               |                             |   |                  |
| Charges for services         | \$ 304,192                  | \$ -                                      | \$ 304,192       |
| Operating expenses:          |                             |   |                  |
| Non-instructional programs:  |                             |   |                  |
| Food service operations:     |                             |   |                  |
| Salaries                     | 175,942                     | -   | 175,942          |
| Benefits                     | 35,097                      | -   | 35,097           |
| Purchased services           | 2,136                       | -   | 2,136            |
| Supplies                     | 338,281                     | -   | 338,281          |
| Depreciation                 | 8,480                       | -   | 8,480            |
|                              | <u>559,936</u>              | <u>-</u>                                  | <u>559,936</u>   |
| Operating loss               | (255,744)                   | -   | (255,744)        |
| Non-operating revenues:      |                             |   |                  |
| Interest on investments      | 145                         | -   | 145              |
| Contributions                | 3,450                       | -   | 3,450            |
| State sources                | 5,433                       | -   | 5,433            |
| Federal sources              | 218,760                     | -   | 218,760          |
| Total non-operating revenues | <u>227,788</u>              | <u>-</u>                                  | <u>227,788</u>   |
| Change in net assets         | (27,956)                    | -   | (27,956)         |
| Net assets beginning of year | <u>52,597</u>               | <u>1,023</u>                              | <u>53,620</u>    |
| Net assets end of year       | <u>\$ 24,641</u>            | <u>\$ 1,023</u>                           | <u>\$ 25,664</u> |

See notes to financial statements.

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MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

|   | School<br>Nutrition | Nonmajor-<br>Latchkey<br>Daycare | Total            |
|---|---------------------|----------------------------------|------------------|
| Cash flows from operating activities:                     |                     |                                  |                  |
| Cash received from sale of lunches and breakfasts         | \$ 309,137          | \$ -                             | \$ 309,137       |
| Cash received from miscellaneous operating activities     | 3,198               | -                                | 3,198            |
| Cash payments to employees for services                   | (202,014)           | -                                | (202,014)        |
| Cash payments to suppliers for goods or services          | (306,062)           | -                                | (306,062)        |
| Net cash used by operating activities                     | <u>(195,741)</u>    | <u>-</u>                         | <u>(195,741)</u> |
| Cash flows from non-capital financing activities:         |                     |                                  |                  |
| State grants received                                     | 5,433               | -                                | 5,433            |
| Federal grants received                                   | 182,733             | -                                | 182,733          |
| Net cash provided by non-capital financing activities     | <u>188,166</u>      | <u>-</u>                         | <u>188,166</u>   |
| Cash flows from capital and related financing activities: |                     |                                  |                  |
| Acquisition of capital assets                             | (3,450)             | -                                | (3,450)          |
| Contributions received                                    | 3,450               | -                                | 3,450            |
|   | <u>-</u>            | <u>-</u>                         | <u>-</u>         |
| Cash flows from investing activities:                     |                     |                                  |                  |
| Interest on investments                                   | <u>145</u>          | <u>-</u>                         | <u>145</u>       |
| Net decrease in cash and cash equivalents                 | (7,430)             | -                                | (7,430)          |
| Cash and cash equivalents beginning of year               | <u>19,606</u>       | <u>1,026</u>                     | <u>20,632</u>    |
| Cash and cash equivalents end of year                     | <u>\$ 12,176</u>    | <u>\$ 1,026</u>                  | <u>\$ 13,202</u> |

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

|   | <u>School<br/>Nutrition</u> | <u>Nonmajor-<br/>Latchkey<br/>Daycare</u> | <u>Total</u>        |
|---|-----------------------------|---|---------------------|
| Reconciliation of operating loss to net cash used by operating activities:        |                             |   |                     |
| Operating loss  | \$ (255,744)                | \$ -                                      | \$ (255,744)        |
| Adjustments to reconcile operating loss to net cash used by operating activities: |                             |   |                     |
| Depreciation  | 8,480                       | -   | 8,480               |
| Commodities used  | 36,027                      | -   | 36,027              |
| (Increase) in inventories   | (1,781)                     | -   | (1,781)             |
| Increase in accounts payable  | 109                         | -   | 109                 |
| Increase in salaries and benefits payable   | 9,025                       | -   | 9,025               |
| Increase in deferred revenue  | 8,143                       | -   | 8,143               |
|   | <u>8,143</u>                | <u>-</u>                                  | <u>8,143</u>        |
| Net cash used by operating activities   | <u>\$ (195,741)</u>         | <u>\$ -</u>                               | <u>\$ (195,741)</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$36,027 of federal commodities.

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

B. Basis of Presentation

District-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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet 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 that are 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, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental proprietary funds are aggregated and reported as nonmajor governmental funds, as applicable.

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 reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the 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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 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 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 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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

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.

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 that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2010 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-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.

| Asset Class                       | Amount   |
|-----------------------------------|----------|
| Land                              | \$ 2,500 |
| Buildings                         | 2,500    |
| Improvements other than buildings | 2,500    |
| Intangibles                       | 25,000   |
| 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:

| Asset Class                       | Estimated Useful Lives |
|-----------------------------------|------------------------|
| Buildings                         | 20-40 years            |
| Improvements other than buildings | 10 years               |
| Furniture and equipment           | 4-12 years             |

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible 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 in the governmental funds consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

Long-term Liabilities – In the District-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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2010.

Fund Balances – 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.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-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 imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2010 consists of \$2,688,377.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 2. Cash and Pooled Investments (continued)

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, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

|                       | <u>Amortized<br/>Cost</u> |
|-----------------------|---------------------------|
| Diversified Portfolio | \$ <u>288</u>             |

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u>    |
|--------------------|----------------------|------------------|
| Debt Service       | Capital Projects     | \$ <u>40,000</u> |

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

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

|  | Balance<br>Beginning<br>of Year | Increases           | Decreases         | Balance<br>End<br>of Year |
|--|---------------------------------|---------------------|-------------------|---------------------------|
| Governmental activities:                     |                                 |                     |                   |                           |
| Capital assets not being depreciated:        |                                 |                     |                   |                           |
| Land   | \$ 127,851                      | \$ -                | \$ -              | \$ 127,851                |
| Construction in progress                     | 146,587                         | 917,926             | 756,397           | 308,116                   |
| Total capital assets not being depreciated   | <u>274,438</u>                  | <u>917,926</u>      | <u>756,397</u>    | <u>435,967</u>            |
| Capital assets being depreciated:            |                                 |                     |                   |                           |
| Buildings                                    | 11,271,139                      | 756,397             | -                 | 12,027,536                |
| Improvements other than buildings            | 345,057                         | -                   | -                 | 345,057                   |
| Furniture and equipment                      | 1,973,944                       | 414,315             | 344,995           | 2,043,264                 |
| Total capital assets being depreciated       | <u>13,590,140</u>               | <u>1,170,712</u>    | <u>344,995</u>    | <u>14,415,857</u>         |
| Less accumulated depreciation for:           |                                 |                     |                   |                           |
| Buildings                                    | 6,665,763                       | 253,806             | -                 | 6,919,569                 |
| Improvements other than buildings            | 307,216                         | 4,205               | -                 | 311,421                   |
| Furniture and equipment                      | 1,654,259                       | 160,188             | 344,995           | 1,469,452                 |
| Total accumulated depreciation               | <u>8,627,238</u>                | <u>418,199</u>      | <u>344,995</u>    | <u>8,700,442</u>          |
| Total capital assets being depreciated, net  | <u>4,962,902</u>                | <u>752,513</u>      | <u>-</u>          | <u>5,715,415</u>          |
| Governmental activities capital assets, net  | <u>\$ 5,237,340</u>             | <u>\$ 1,670,439</u> | <u>\$ 756,397</u> | <u>\$ 6,151,382</u>       |
| Business-type activities:                    |                                 |                     |                   |                           |
| Furniture and equipment                      | \$ 126,574                      | \$ 3,450            | \$ -              | \$ 130,024                |
| Less accumulated depreciation                | 73,797                          | 8,480               | -                 | 82,277                    |
| Business-type activities capital assets, net | <u>\$ 52,777</u>                | <u>\$ (5,030)</u>   | <u>\$ -</u>       | <u>\$ 47,747</u>          |

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

|  |                   |
|--|-------------------|
| Instruction  | \$ 12,066         |
| Support services:                                  |                   |
| Administration                                     | 4,152             |
| Operation and maintenance of plant services        | 20,617            |
| Transportation                                     | 127,558           |
|  | <u>164,393</u>    |
| Unallocated depreciation                           | <u>253,806</u>    |
| Total governmental activities depreciation expense | <u>\$ 418,199</u> |

Business-type activities:

|                         |                 |
|-------------------------|-----------------|
| Food service operations | <u>\$ 8,480</u> |
|-------------------------|-----------------|

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

|                          | Balance<br>Beginning<br>of Year | Additions         | Reductions        | Balance<br>End<br>of Year | Due<br>Within<br>One Year |
|--------------------------|---------------------------------|-------------------|-------------------|---------------------------|---------------------------|
| Governmental activities: |                                 |                   |                   |                           |                           |
| General obligation bonds | \$ 2,645,000                    | \$ -              | \$ 355,000        | \$ 2,290,000              | \$ 355,000                |
| Early retirement         | 108,910                         | 104,250           | 42,935            | 170,225                   | 40,350                    |
| Net OPEB liability       | -                               | 94,000            | -                 | 94,000                    | -                         |
| Total                    | <u>\$ 2,753,910</u>             | <u>\$ 198,250</u> | <u>\$ 397,935</u> | <u>\$ 2,554,225</u>       | <u>\$ 395,350</u>         |

Early Retirement

The District offers a voluntary early retirement plan to its full-time licensed employees. Eligible employees must be at least fifty-five years of age and employees must have completed twenty years of total experience as a teacher and/or administrator, of which the last ten years must be served consecutively at Mid-Prairie Community School District. Employees must complete an application, which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$325 per month for prior year retirees and \$375 per month for current year retirees toward health insurance through the District until the retiree qualifies for Medicare.

At June 30, 2010, the District has obligations to ten participants with a total liability of \$170,225. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$42,935. The cost of early retirement payments is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

| Year Ending<br>June 30, | Interest<br>Rates | Principal           | Interest          | Total               |
|-------------------------|-------------------|---------------------|-------------------|---------------------|
| 2011                    | 1.80 %            | \$ 355,000          | \$ 46,055         | \$ 401,055          |
| 2012                    | 1.80              | 360,000             | 39,620            | 399,620             |
| 2013                    | 1.80-2.00         | 370,000             | 33,095            | 403,095             |
| 2014                    | 2.00-2.20         | 395,000             | 25,830            | 420,830             |
| 2015                    | 2.20-2.40         | 410,000             | 17,165            | 427,165             |
| 2016                    | 2.40-2.60         | 400,000             | 7,530             | 407,530             |
|                         |                   | <u>\$ 2,290,000</u> | <u>\$ 169,295</u> | <u>\$ 2,459,295</u> |

Note 6. Other Postemployment Benefits (OPEB)

The District prospectively implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 153 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

|  |                         |
|--|-------------------------|
| Annual required contribution               | \$ 179,000              |
| Interest on net OPEB obligation            | -                       |
| Adjustment to annual required contribution | -                       |
| Annual OPEB cost                           | <u>179,000</u>          |
| Contributions made                         | <u>85,000</u>           |
| Increase in net OPEB obligation            | 94,000                  |
| Net OPEB obligation beginning of year      | <u>-</u>                |
| Net OPEB obligation end of year            | <u><u>\$ 94,000</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$85,000 to the medical plan. Plan members eligible for benefits contributed \$68,000, or 44.4% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

| <u>Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------------|-------------------------|---|----------------------------|
| June 30, 2010     | \$ 179,000              | 47.5%   | \$ 94,000                  |

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1,571,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,571,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,795,000, and the ratio of the UAAL to covered payroll was 20.2%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2008.

Projected claim costs of the medical plan are \$675 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

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, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$506,480, \$472,835, and \$429,068, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Mid-Prairie Community School 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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 \$488,089 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2010 is comprised of the following programs:

| Program  | Amount     |
|--|------------|
| Professional development                           | \$ 66,307  |
| Teacher salary supplement                          | 64,701     |
| Returning dropouts and dropout prevention programs | 59,734     |
| Professional development for model core curriculum | 40,197     |
| Gifted and talented programs                       | 27,131     |
| Four-year-old preschool state aid                  | 22,757     |
| Limited English proficiency                        | 3,823      |
| Beginning teacher mentoring and induction          | 1,884      |
| Total  | \$ 286,534 |

Note 11. Construction Commitments

The District has entered into a contract totaling \$442,779 for a middle school masonry project. As of June 30, 2010, costs of \$116,708 had been incurred against the contract. The balance of \$326,071 remaining at June 30, 2010 will be paid as work on the project progresses.

Note 12. Subsequent Events

On December 1, 2010, the District issued \$5,545,000 of school infrastructure sales and services tax revenue bonds. Proceeds from the issuance will be used to pay the costs of the high school renovation project. The revenue bonds will be paid over 18 years with interest rates from 2% to 4%.

In December 2010, the District entered into various contracts totaling \$4,430,713 for the high school HVAC and renovation projects.

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Required Supplementary Information

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
 Budget and Actual – All Governmental Funds  
 and Proprietary Funds  
 Required Supplementary Information  
 Year Ended June 30, 2010

|  | Governmental<br>Funds -<br>Actual | Proprietary<br>Funds -<br>Actual | Total<br>Actual     | Budgeted Amounts    |                     | Final to<br>Actual<br>Variance |
|--|-----------------------------------|----------------------------------|---------------------|---------------------|---------------------|--------------------------------|
|  |                                   |                                  |                     | Original            | Final               |                                |
| <b>REVENUES:</b>   |                                   |                                  |                     |                     |                     |                                |
| Local sources  | \$ 7,530,012                      | \$ 307,787                       | \$ 7,837,799        | \$ 7,754,664        | \$ 7,754,664        | \$ 83,135                      |
| State sources  | 5,502,857                         | 5,433                            | 5,508,290           | 7,424,828           | 7,424,828           | (1,916,538)                    |
| Federal sources  | 1,205,901                         | 218,760                          | 1,424,661           | 1,160,000           | 1,160,000           | 264,661                        |
| <b>Total revenues</b>  | <b>14,238,770</b>                 | <b>531,980</b>                   | <b>14,770,750</b>   | <b>16,339,492</b>   | <b>16,339,492</b>   | <b>(1,568,742)</b>             |
| <b>EXPENDITURES/EXPENSES:</b>  |                                   |                                  |                     |                     |                     |                                |
| Instruction  | 8,953,312                         | -                                | 8,953,312           | 10,930,000          | 10,930,000          | 1,976,688                      |
| Support services   | 3,231,397                         | -                                | 3,231,397           | 3,926,600           | 3,926,600           | 695,203                        |
| Non-instructional programs   | 3,450                             | 559,936                          | 563,386             | 540,000             | 580,000             | 16,614                         |
| Other expenditures   | 2,271,189                         | -                                | 2,271,189           | 2,842,548           | 2,842,548           | 571,359                        |
| <b>Total expenditures/expenses</b>   | <b>14,459,348</b>                 | <b>559,936</b>                   | <b>15,019,284</b>   | <b>18,239,148</b>   | <b>18,279,148</b>   | <b>3,259,864</b>               |
| Excess (deficiency) of revenues<br>over (under) expenditures/<br>expenses                                | (220,578)                         | (27,956)                         | (248,534)           | (1,899,656)         | (1,939,656)         | 1,691,122                      |
| Other financing sources, net   | 1,084                             | -                                | 1,084               | -                   | -                   | 1,084                          |
| Excess (deficiency) of revenues<br>and other financing sources<br>over (under) expenditures/<br>expenses | (219,494)                         | (27,956)                         | (247,450)           | (1,899,656)         | (1,939,656)         | 1,692,206                      |
| Balance beginning of year  | 3,465,362                         | 53,620                           | 3,518,982           | 3,060,682           | 3,060,682           | 458,300                        |
| Balance end of year  | \$ <u>3,245,868</u>               | \$ <u>25,664</u>                 | \$ <u>3,271,532</u> | \$ <u>1,161,026</u> | \$ <u>1,121,026</u> | \$ <u>2,150,506</u>            |

See accompanying independent auditor's report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2010

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 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 the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. 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 that 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 \$40,000.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2010

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets ( a ) | Actuarial Accrued Liability (AAL) ( b ) | Unfunded AAL (UAAL) ( b-a ) | Funded Ratio ( a/b ) | Covered Payroll ( c ) | UAAL as a Percentage of Covered Payroll ( (b-a)/c ) |
|---------------------|--------------------------|---------------------------------|---|-----------------------------|----------------------|-----------------------|---|
| 2010                | July 1, 2008             | \$ -                            | \$ 1,571                                | \$ 1,571                    | 0.0%                 | \$ 7,795              | 20.2%   |

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## Other Supplementary Information

## MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2010

|                                     | <u>Special Revenue</u>     |                             |  |                         |                     |
|-------------------------------------|----------------------------|-----------------------------|--|-------------------------|---------------------|
|                                     | <u>Management<br/>Levy</u> | <u>Student<br/>Activity</u> | <u>Physical<br/>Plant and<br/>Equipment<br/>Levy</u> | <u>Debt<br/>Service</u> | <u>Total</u>        |
| Assets                              |                            |                             |  |                         |                     |
| Cash and pooled investments         | \$ 312,142                 | \$ 81,143                   | \$ 195,411   | \$ 4,807                | \$ 593,503          |
| Receivables:                        |                            |                             |  |                         |                     |
| Property tax:                       |                            |                             |  |                         |                     |
| Current year                        | 2,450                      | -                           | 2,073  | 4,330                   | 8,853               |
| Succeeding year                     | 209,999                    | -                           | 187,754  | 346,054                 | 743,807             |
| Income surtax                       | -                          | -                           | 349,551  | -                       | 349,551             |
| Total assets                        | <u>\$ 524,591</u>          | <u>\$ 81,143</u>            | <u>\$ 734,789</u>                                    | <u>\$ 355,191</u>       | <u>\$ 1,695,714</u> |
| Liabilities and Fund Balances       |                            |                             |  |                         |                     |
| Liabilities:                        |                            |                             |  |                         |                     |
| Accounts payable                    | \$ -                       | \$ 29,020                   | \$ 162,742   | \$ -                    | \$ 191,762          |
| Deferred revenue:                   |                            |                             |  |                         |                     |
| Succeeding year property tax        | 209,999                    | -                           | 187,754  | 346,054                 | 743,807             |
| Other                               | -                          | -                           | 349,551  | -                       | 349,551             |
| Total liabilities                   | <u>209,999</u>             | <u>29,020</u>               | <u>700,047</u>                                       | <u>346,054</u>          | <u>1,285,120</u>    |
| Fund balances:                      |                            |                             |  |                         |                     |
| Reserved for:                       |                            |                             |  |                         |                     |
| Debt service                        | -                          | -                           | -  | 9,137                   | 9,137               |
| Unreserved:                         |                            |                             |  |                         |                     |
| Undesignated                        | 314,592                    | 52,123                      | 34,742   | -                       | 401,457             |
| Total fund balances                 | <u>314,592</u>             | <u>52,123</u>               | <u>34,742</u>  | <u>9,137</u>            | <u>410,594</u>      |
| Total liabilities and fund balances | <u>\$ 524,591</u>          | <u>\$ 81,143</u>            | <u>\$ 734,789</u>                                    | <u>\$ 355,191</u>       | <u>\$ 1,695,714</u> |

See accompanying independent auditor's report.

## MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

|  | Special Revenue    |                     |  |                 | Total        |
|--|--------------------|---------------------|--|-----------------|--------------|
|  | Management<br>Levy | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Debt<br>Service |              |
| Revenues:  |                    |                     |  |                 |              |
| Local sources:   |                    |                     |  |                 |              |
| Local tax  | \$ 205,550         | \$ -                | \$ 534,673                                 | \$ 370,065      | \$ 1,110,288 |
| Other  | 20,715             | 298,597             | 57,487                                     | -               | 376,799      |
| State sources  | 79                 | -                   | 66   | 138             | 283          |
| Total revenues   | 226,344            | 298,597             | 592,226                                    | 370,203         | 1,487,370    |
| Expenditures:  |                    |                     |  |                 |              |
| Current:   |                    |                     |  |                 |              |
| Instruction  | 42,911             | 289,011             | 54,132                                     | -               | 386,054      |
| Support services:  |                    |                     |  |                 |              |
| Student services   | 969                | -                   | -  | -               | 969          |
| Operation and maintenance of<br>plant services               | 8,734              | -                   | 10,000                                     | -               | 18,734       |
| Transportation services                                      | -                  | -                   | 308,492                                    | -               | 308,492      |
| Non instructional programs                                   | -                  | -                   | 3,450                                      | -               | 3,450        |
| Other expenditures:  |                    |                     |  |                 |              |
| Facilities acquisition                                       | -                  | -                   | 294,363                                    | -               | 294,363      |
| Long term debt:  |                    |                     |  |                 |              |
| Principal  | -                  | -                   | -  | 355,000         | 355,000      |
| Interest and fiscal charges                                  | -                  | -                   | -  | 53,355          | 53,355       |
| Total expenditures   | 52,614             | 289,011             | 670,437                                    | 408,355         | 1,420,417    |
| Excess (deficiency) of revenues over<br>(under) expenditures | 173,730            | 9,586               | (78,211)                                   | (38,152)        | 66,953       |
| Other financing sources:                                     |                    |                     |  |                 |              |
| Interfund transfers in                                       | -                  | -                   | -  | 40,000          | 40,000       |
| Net change in fund balances                                  | 173,730            | 9,586               | (78,211)                                   | 1,848           | 106,953      |
| Fund balances beginning of year                              | 140,862            | 42,537              | 112,953                                    | 7,289           | 303,641      |
| Fund balances end of year                                    | \$ 314,592         | \$ 52,123           | \$ 34,742                                  | \$ 9,137        | \$ 410,594   |

See accompanying independent auditor's report.

## MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2010

| Account                     | Balance<br>Beginning<br>of Year | Revenues          | Expenditures      | Balance<br>End<br>of Year |
|-----------------------------|---------------------------------|-------------------|-------------------|---------------------------|
| Drama Workshop              | \$ 9,150                        | \$ 992            | \$ 10,142         | \$ -                      |
| Athletics                   | 1,133                           | 135,668           | 114,091           | 22,710                    |
| Annual                      | 315                             | (2)               | 313               | -                         |
| Fundraising                 | 3,742                           | (679)             | 35                | 3,028                     |
| Class of 2006               | 146                             | -                 | 146               | -                         |
| Class of 2007               | 693                             | -                 | 693               | -                         |
| Class of 2008               | 158                             | -                 | 158               | -                         |
| Class of 2009               | 35                              | -                 | 35                | -                         |
| Class of 2010               | 3,555                           | 2,756             | 5,883             | 428                       |
| Class of 2011               | -                               | 10,855            | 6,855             | 4,000                     |
| Renaissance                 | 2,713                           | 3,945             | 3,423             | 3,235                     |
| Post Prom                   | 1,995                           | 8,005             | 8,021             | 1,979                     |
| FFA                         | 1,228                           | 29,285            | 24,270            | 6,243                     |
| Librarians Club             | 644                             | 50                | 441               | 253                       |
| Miscellaneous               | 8,457                           | 366               | 6,845             | 1,978                     |
| Newspaper                   | 93                              | -                 | -                 | 93                        |
| Baseball Resale             | -                               | 471               | 471               | -                         |
| Boys Basketball Resale      | 74                              | 30,314            | 29,716            | 672                       |
| Girls Basketball Resale     | -                               | 16,746            | 16,746            | -                         |
| Football Resale             | -                               | 22,809            | 22,313            | 496                       |
| Golf Resale                 | -                               | 2,313             | 2,313             | -                         |
| Cross Country Resale        | -                               | 1,291             | 1,161             | 130                       |
| Track Resale                | 1,250                           | 7,202             | 8,201             | 251                       |
| Volleyball Resale           | -                               | 4,080             | 3,570             | 510                       |
| Soda Club                   | 2,199                           | -                 | -                 | 2,199                     |
| FCCLA (Seward)              | 1,201                           | 18,433            | 19,634            | -                         |
| High School Student Council | 2,124                           | 3,673             | 3,535             | 2,262                     |
| Wellness                    | 1,632                           | 24                | -                 | 1,656                     |
| <b>Total</b>                | <b>\$ 42,537</b>                | <b>\$ 298,597</b> | <b>\$ 289,011</b> | <b>\$ 52,123</b>          |

See accompanying independent auditor's report.

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MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST SIX YEARS

|  | Modified Accrual Basis |                      |                      |                      |
|--|------------------------|----------------------|----------------------|----------------------|
|  | Years Ended June 30,   |                      |                      |                      |
|  | 2010                   | 2009                 | 2008                 | 2007                 |
| Revenues:                                      |                        |                      |                      |                      |
| Local sources:                                 |                        |                      |                      |                      |
| Local tax                                      | \$ 5,639,516           | \$ 5,557,275         | \$ 5,137,844         | \$ 4,860,705         |
| Tuition  | 1,160,192              | 933,397              | 984,572              | 894,017              |
| Other  | 730,304                | 708,506              | 696,022              | 674,764              |
| State sources                                  | 5,502,857              | 6,172,626            | 5,989,551            | 5,458,305            |
| Federal sources                                | 1,205,901              | 936,591              | 858,672              | 627,300              |
| Total revenues                                 | <u>\$ 14,238,770</u>   | <u>\$ 14,308,395</u> | <u>\$ 13,666,661</u> | <u>\$ 12,515,091</u> |
| Expenditures:                                  |                        |                      |                      |                      |
| Instruction                                    | \$ 8,953,312           | \$ 8,943,733         | \$ 8,501,789         | \$ 7,853,939         |
| Support services:                              |                        |                      |                      |                      |
| Student services                               | 176,092                | 206,367              | 223,047              | 205,463              |
| Instructional staff services                   | 460,310                | 484,953              | 436,973              | 418,258              |
| Administration services                        | 1,081,281              | 952,790              | 926,113              | 915,715              |
| Operation and maintenance<br>of plant services | 764,278                | 1,064,478            | 907,873              | 884,833              |
| Transportation services                        | 749,436                | 653,787              | 492,551              | 595,379              |
| Non-instructional programs                     | 3,450                  | 17,854               | -                    | -                    |
| Other expenditures:                            |                        |                      |                      |                      |
| Facilities acquisition                         | 1,374,745              | 524,834              | 544,243              | 506,305              |
| Long-term debt:                                |                        |                      |                      |                      |
| Principal                                      | 355,000                | 2,920,000            | 305,000              | 295,000              |
| Interest and fiscal charges                    | 53,355                 | 156,505              | 127,792              | 137,428              |
| AEA flowthrough                                | 488,089                | 445,538              | 414,074              | 397,136              |
| Total expenditures                             | <u>\$ 14,459,348</u>   | <u>\$ 16,370,839</u> | <u>\$ 12,879,455</u> | <u>\$ 12,209,456</u> |

See accompanying independent auditor's report.

|      | <u>2006</u>       | <u>2005</u>          |
|------|-------------------|----------------------|
| \$   | 4,456,303         | \$ 4,024,532         |
|      | 692,869           | 627,395              |
|      | 559,225           | 521,031              |
|      | 5,108,904         | 4,849,058            |
|      | <u>452,753</u>    | <u>484,722</u>       |
| \$   | <u>11,270,054</u> | <u>\$ 10,506,738</u> |
| <br> |                   |                      |
| \$   | 7,109,937         | \$ 6,714,542         |
|      | 228,264           | 217,976              |
|      | 423,256           | 223,188              |
|      | 908,776           | 835,003              |
|      | 854,623           | 803,747              |
|      | 450,232           | 513,750              |
|      | -                 | -                    |
|      | 297,159           | 420,974              |
|      | 275,000           | 280,000              |
|      | 146,391           | 154,436              |
|      | <u>364,300</u>    | <u>350,130</u>       |
| \$   | <u>11,057,938</u> | <u>\$ 10,513,746</u> |

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

| Grantor / Program  | CFDA<br>Number | Grant<br>Number | Expenditures |
|--|----------------|-----------------|--------------|
| Direct:  |                |                 |              |
| U. S. Department of Education:                                       |                |                 |              |
| Foreign Language Assistance - Chinese                                | 84.293B        | T293B070148 \$  | 191,300      |
| Foreign Language Assistance - Arabic                                 | 84.293B        | T293B060170     | 62,434       |
|  |                |                 | 253,734      |
| Indirect:  |                |                 |              |
| U. S. Department of Agriculture:                                     |                |                 |              |
| Iowa Department of Education:  |                |                 |              |
| Child Nutrition Cluster Programs:                                    |                |                 |              |
| School Breakfast Program   | 10.553         | FY 10           | 21,543       |
| National School Lunch Program (non-cash)                             | 10.555         | FY 10           | 36,027       |
| National School Lunch Program  | 10.555         | FY 10           | 159,829      |
|  |                |                 | 217,399      |
| Fresh Fruit and Vegetable Program                                    | 10.582         | FY 09           | 1,360        |
| U. S. Department of Education:                                       |                |                 |              |
| Iowa Department of Education:  |                |                 |              |
| Title I, Part A Cluster Programs:                                    |                |                 |              |
| Title I Grants to Local Educational Agencies                         | 84.010         | 4271-G-10       | 287,113      |
| Title I Grants to Local Educational Agencies                         | 84.010         | 4271-GC-10      | 35,119       |
| ARRA - Title I Grants to Local Educational Agencies,<br>Recovery Act | 84.389         | FY 09           | 35,610       |
| ARRA - Title I Grants to Local Educational Agencies,<br>Recovery Act | 84.389         | FY 10           | 86,540       |
|  |                |                 | 444,382      |
| Safe and Drug-Free Schools and Communities<br>- State Grants         | 84.186         | FY 09           | 5,447        |
| Safe and Drug-Free Schools and Communities<br>- State Grants         | 84.186         | FY 10           | 2,570        |
|  |                |                 | 8,017        |
| Advanced Placement Program   | 84.330         | FY 10           | 672          |
| Improving Teacher Quality State Grants                               | 84.367         | FY 10           | 89,779       |
| Grants for State Assessments and Related Activities                  | 84.369         | FY 09           | 1,681        |
| Grants for State Assessments and Related Activities                  | 84.369         | FY 10           | 7,859        |
|  |                |                 | 9,540        |

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

| Grantor / Program  | CFDA<br>Number | Grant<br>Number | Expenditures        |
|--|----------------|-----------------|---------------------|
| Indirect (continued):  |                |                 |                     |
| U. S. Department of Education (continued):                                       |                |                 |                     |
| Iowa Department of Education (continued):  |                |                 |                     |
| ARRA - State Fiscal Stabilization Fund - Education<br>State Grants, Recovery Act | 84.394         | FY 09           | \$ 101,137          |
| ARRA - State Fiscal Stabilization Fund - Education<br>State Grants, Recovery Act | 84.394         | FY 10           | <u>40,114</u>       |
|  |                |                 | <u>141,251</u>      |
| Grant Wood Area Education Agency:  |                |                 |                     |
| Special Education Cluster Programs:  |                |                 |                     |
| Special Education - Grants to States   | 84.027         | FY 10           | 65,232              |
| ARRA - Special Education - Grants to States, Recovery Act                        | 84.391         | FY 09           | 32,594              |
| ARRA - Special Education - Grants to States, Recovery Act                        | 84.391         | FY 10           | <u>106,683</u>      |
|  |                |                 | <u>204,509</u>      |
| Career and Technical Education - Basic Grants to States                          | 84.048         | FY 10           | <u>24,381</u>       |
| Total  |                |                 | <u>\$ 1,395,024</u> |

Basis of Presentation –

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

See accompanying independent auditor's report.

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  
Mid-Prairie 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 Mid-Prairie Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 2011. 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 Mid-Prairie 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 an opinion on the effectiveness of Mid-Prairie Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mid-Prairie 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-10, II-D-10, II-E-10, II-F-10, and II-G-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-Prairie Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a material instance of noncompliance described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 and certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Mid-Prairie Community School District's operations for the year ended June 30, 2010 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.

Mid-Prairie Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Mid-Prairie 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 Mid-Prairie Community School District and other parties to whom Mid-Prairie Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mid-Prairie 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.

Oskaloosa, Iowa  
March 2, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

To the Board of Education of  
Mid-Prairie Community School District:

Compliance

We have audited the compliance of Mid-Prairie Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Mid-Prairie Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mid-Prairie Community School District's management. Our responsibility is to express an opinion on Mid-Prairie Community School District's compliance based on our audit.

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

In our opinion, Mid-Prairie Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a significant deficiency.

Mid-Prairie Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Mid-Prairie 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 Mid-Prairie Community School District and other parties to whom Mid-Prairie Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
March 2, 2011

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit disclosed an instance of non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.293B – Foreign Language Assistance
  - Clustered programs:
    - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
    - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mid-Prairie Community School District did not qualify as a low-risk auditee.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

- II-A-10 Teacher Salary Supplement – The District miscoded \$137,953 of teacher salary supplement funded salary to regular salary project 0000 instead of project 3204. An adjustment has been made to the District’s audit report to reflect this change but not to the District’s Certified Annual Report filed with the Iowa Department of Education.

Recommendation – All teacher salary supplement pay should be coded to the proper account at the time paychecks are issued and should be reviewed by someone other than the person who inputs payroll for accuracy. The District should contact the Iowa Department of Education to see if they can adjust their Certified Annual Report for this change.

Response – We will make sure to properly code teacher salary supplement pay in the future and have someone other than the person doing payroll review for accuracy. Also, we will contact the Iowa Department of Education to see if we can adjust the Certified Annual Report for this change.

Conclusion – Response accepted.

Internal Control Deficiencies:

- II-B-10 Financial Reporting – During the audit, we identified material amounts of receivables and capital assets additions not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables and capital assets additions are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any receivables or capital asset transactions.

Conclusion – Response accepted.

- II-C-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts to the cash receipts journal, bank deposits, payroll preparation and bank reconciliations were all done by the same person. Also, the recording, preparing, and distributing of disbursements are all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures 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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- II-D-10 Home School Assistance Program (HSAP) – We noted that the District lacks controls over the HSAP receipts. We noted that receipts are not always deposited to the business office in a timely manner and are netted against the expenditure account.

Recommendation – The District should make sure all receipts are collected, recorded, and deposited in a timely manner. Also, the practice of netting revenues against the expenditures understates both revenues and expenditures and bypasses the budget and should not be continued.

Response – We will try to make sure all receipts are properly recorded and deposited timely.

Conclusion – Response accepted.

- II-E-10 Vacation Policy – According to the District’s vacation policy, upon termination classified employees shall be paid for all unused vacation time based on the employee’s then current rate of pay. It is up to the Board and Superintendent to determine the amount of vacation that will be allowed for certified employees on an annual basis. During our audit, we noted that one employee received no payment and one employee received only partial payment for unused vacation time. We also noted that the District allowed an employee to apply unused vacation time towards health insurance payments for the next year. In addition, the vacation policy for classified employees states that an employee can accumulate ten vacation days from year to year. During our audit, we noted that some employees exceeded the maximum allowed for unused accumulated vacation time.

Recommendation – The District should develop and implement a more consistent vacation policy. The District should also correct the vacation time records for these employees with accumulated vacation over the maximum allowed or document the exceptions to the carryover rules.

Response – We plan to continue our policy of approving any vacation carryover payouts upon retirement or termination of employment on a case by case basis. We will also look into the accumulated vacation amounts and take the appropriate action.

Response – Response acknowledged, however, we feel our recommendation of developing a more consistent vacation policy would be in the best interests of the District.

- II-F-10 Fundraisers – We noted in our testing of Special Revenue, Student Activity Fund fundraisers that no fundraiser reconciliations are prepared by the activity sponsors.

Recommendation – The District should adopt and enforce a policy which requires a fundraiser reconciliation to be completed by sponsors for all fundraisers. This reconciliation should tie total sales receipts to the related bank deposits and reconcile receipts to the related disbursements to determine if the fundraiser met the expected profit margin.

Response – We will be implementing new fundraiser procedures for the year ending June 30, 2011.

Conclusion – Response accepted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

II-G-10 Gate Admissions – Athletic event gate admissions and the associated change box were not reconciled with pre-numbered tickets. The District currently does not issue tickets at athletic events.

Recommendation – The District should establish reconciliation procedures for athletic event gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – We will review our present procedures and consider the recommended reconciliation procedures.

Conclusion – Response accepted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

CFDA Number 84.293B: Foreign Language Assistance  
Federal Award Year: 2010  
U.S. Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
CFDA Number 84.389: ARRA – Title I Grants to Local Educational Agencies, Recovery Act  
Federal Award Years: 2009 and 2010  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the posting of the cash receipts to the cash receipts journal, payroll preparation, and bank reconciliations were all done by the same person. Also, the recording, preparing, and distributing of disbursements are all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures 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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- IV-B-10 Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

| <u>Paid To</u>  | <u>Fund Used</u> | <u>Purpose</u>                     | <u>Amount</u> |
|---|------------------|------------------------------------|---------------|
| Various employees<br>Iowa Public Employees Retirement<br>System (IPERS) | General          | Farewell dinner, meetings supplies | \$ 528        |
|   | General          | Late fees and interest             | <u>78</u>     |
|   |                  |                                    | <u>\$ 606</u> |

Recommendation – The District should timely pay IPERS to avoid any additional fees. Also, the District should not pay for any meals or meetings where the public purpose is not documented.

Response – We will timely pay IPERS and document the public purpose for all meetings and meals in the future.

Conclusion – Response accepted.

- IV-C-10 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.
- IV-D-10 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-10 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.
- IV-F-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments – No instances of non-compliance 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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

- IV-J-10 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported except as previously noted in item II-A-10.
- IV-K-10 Categorical Funding – Except as previously noted in item II-A-10, no instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 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, 2010, the District's financial activity and other required information for the statewide sales and services tax revenue are as follows:

|  |    |           |
|--|----|-----------|
| Beginning balance                        | \$ | 856,818   |
| Statewide sales and services tax revenue |    | 823,168   |
| Expenditures/transfers out:              |    |           |
| None                                     |    | -         |
| Ending balance                           | \$ | 1,679,986 |

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

|                                   |    | <u>Per \$1,000<br/>of Taxable<br/>Valuation</u> |    | <u>Property<br/>Tax<br/>Dollars</u> |
|-----------------------------------|----|---|----|-------------------------------------|
| Physical plant and equipment levy | \$ | 0.89575   | \$ | 308,303                             |
| Debt service levy                 |    | 1.49590   |    | 514,865                             |

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

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

IV-M-10 Capital Assets Policy – The District has a capital assets policy but it does not address depreciation. In addition, the capital asset policy has a typographical error on the equipment capitalization limit. The policy states \$25,000 when it should be \$2,500.

Recommendation – The District should update the capital assets policy to address lives for depreciable assets and the method to be used for calculating annual depreciation expense. The District should also correct the equipment capitalization limit.

Response – We will consider amending our capital assets policy.

Conclusion – Response accepted.

IV-N-10 Financial Condition – At June 30, 2010, the Enterprise, School Nutrition Fund had an unrestricted net assets deficit balance of \$23,106.

Recommendation – The District needs to explore alternatives to restore the School Nutrition Fund to a sound financial condition.

Response – We have increased meal prices for fiscal year 2011 and will continue to investigate solutions to eliminate the deficit.

Conclusion – Response accepted.