

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

June 30, 2011

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Independent Auditor's Report

To the Board of Education of
Midland Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Midland Community School District, Wyoming, Iowa, as of and for the year ended June 30, 2011, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Midland Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2012, on our consideration of Midland Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Midland Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, 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 has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

April 24, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Midland Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,764,067 in fiscal 2010 to \$6,727,876 in fiscal 2011, while General Fund expenditures increased from \$5,594,008 in fiscal 2010 to \$5,740,184 in fiscal 2011. The District's General Fund balance increased from \$628,588 in fiscal 2010 to \$1,629,909 in fiscal 2011.
- The fiscal year 2011 increase in General Fund revenue was attributable to increases in property tax and federal grant revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures. One reason the General Fund balance increased was because the stimulus money allowed us to retain teachers and use that money for their salaries and benefits.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Midland Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Midland Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

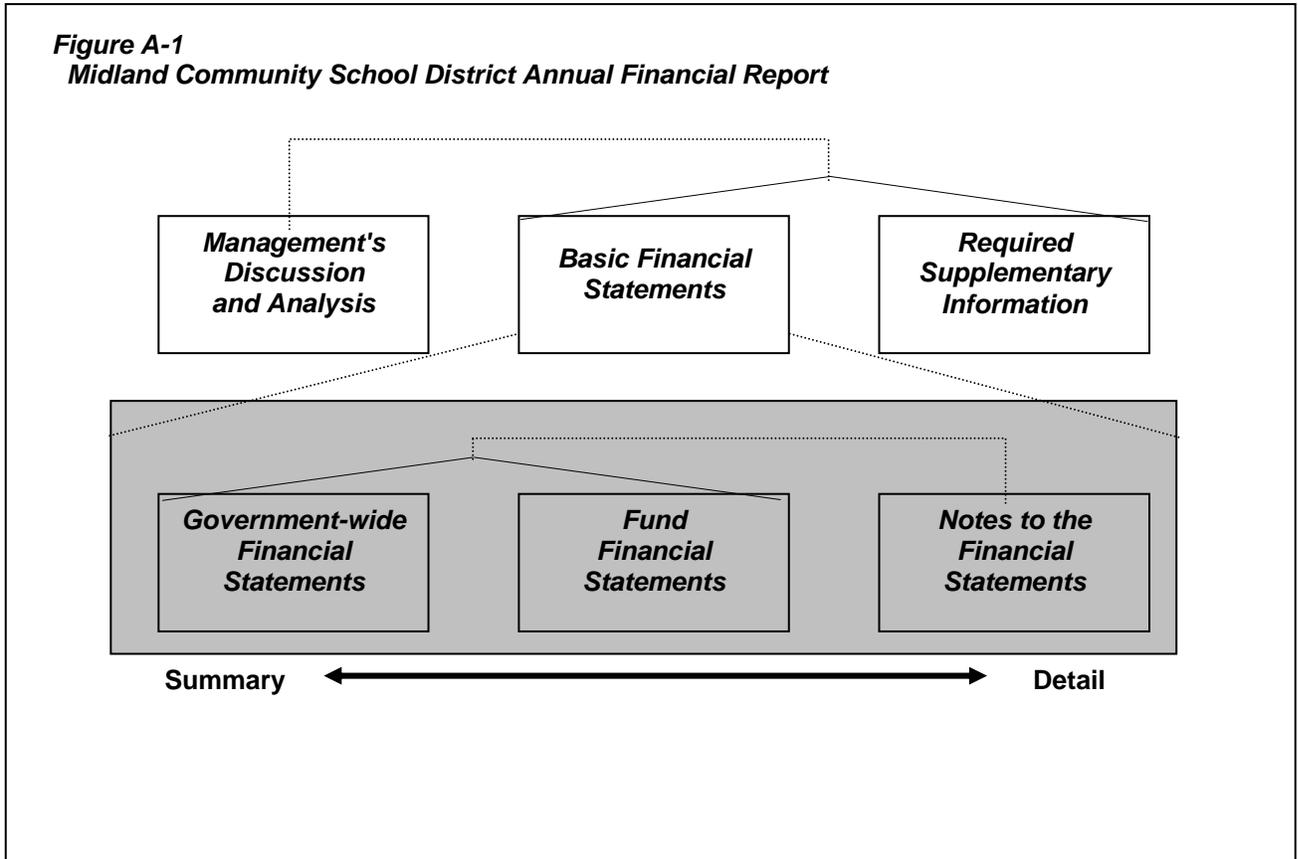


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010 (restated)	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,621,861	7,827,305	69,723	48,067	7,691,584	7,875,372	-2%
Capital assets	6,392,065	4,527,987	79,593	9,600	6,471,658	4,537,587	43%
Total assets	14,013,926	12,355,292	149,316	57,667	14,163,242	12,412,959	14%
Long-term liabilities	4,009,902	2,931,765	-	-	4,009,902	2,931,765	37%
Other liabilities	3,940,922	4,189,949	13,797	6,332	3,954,719	4,196,281	-6%
Total liabilities	7,950,824	7,121,714	13,797	6,332	7,964,621	7,128,046	12%
Net Assets:							
Invested in capital assets, net of related debt	3,191,359	2,980,336	79,593	9,600	3,270,952	2,989,936	9%
Restricted	1,044,518	1,426,553	-	-	1,044,518	1,426,553	-27%
Unrestricted	1,827,225	826,689	55,926	41,735	1,883,151	868,424	117%
TOTAL NET ASSETS	6,063,102	5,233,578	135,519	51,335	6,198,621	5,284,913	17%

The District's combined net assets increased by nearly 17%, or approximately \$913,708, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$382,035 or 27% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$1,014,727, or 117%. This increase in unrestricted net assets was primarily a result of a large increase in the General Fund balance.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	405,039	314,454	106,908	110,338	511,947	424,792	21%
Operating grants & contributions	1,285,495	986,400	126,994	121,371	1,412,489	1,107,771	28%
Capital grants & contributions	6,500	12,219	-	-	6,500	12,219	-47%
General Revenues:							
Property taxes	2,910,309	2,870,224	-	-	2,910,309	2,870,224	1%
Income Surtax	294,073	260,245	-	-	294,073	260,245	13%
Statewide sales & service tax	406,380	372,337	-	-	406,380	372,337	9%
Unrestricted state grants	2,173,411	1,847,632	-	-	2,173,411	1,847,632	18%
Unrestricted investment earnings	20,135	14,513	-	-	20,135	14,513	39%
Other revenue	33,860	22,250	-	-	33,860	22,250	52%
Total Revenues	7,535,202	6,700,274	233,902	231,709	7,769,104	6,931,983	12%
Expenses:							
Instruction	3,879,967	4,273,883	-	-	3,879,967	4,273,883	-9%
Support services	1,700,996	1,717,612	-	-	1,700,996	1,717,612	-1%
Non-instructional programs	-	-	229,950	224,406	229,950	224,406	2%
Other expenditures	1,044,483	380,451	-	-	1,044,483	380,451	175%
Total expenses	6,625,446	6,371,946	229,950	224,406	6,855,396	6,596,352	4%
Change in net assets before transfers	909,756	328,328	3,952	7,303	913,708	335,631	172%
Transfers	(80,232)	-	80,232	-	-	-	0%
Change in net assets	829,524	328,328	84,184		913,708	335,631	172%
Net assets beginning of year	5,233,578	4,905,250	51,335	44,032	5,284,913	4,949,282	7%
Net assets end of year	<u>6,063,102</u>	<u>5,233,578</u>	<u>135,519</u>	<u>51,335</u>	<u>6,198,621</u>	<u>5,284,913</u>	<u>17%</u>

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 81% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,535,202 and expenses were \$6,625,446.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2011 \$	Total Cost of Services 2010 \$	Net Cost of Services 2011 \$	Net Cost of Services 2010 \$
Instruction	3,879,967	4,273,883	2,461,744	3,214,046
Support Services	1,700,996	1,717,612	1,685,346	1,716,603
Other Expenses	1,044,483	380,451	781,322	128,224
TOTAL	6,625,446	6,371,946	4,928,412	5,058,873

- The cost financed by users of the District's programs was \$405,039.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,291,995.
- The net cost of governmental activities was financed with \$3,610,762 in property and other taxes and \$2,173,411 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$233,902 and expenses were \$229,950. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,375,072, slightly below last year's ending fund balances of \$3,380,435.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors.
- The General Fund balance increased from \$628,588 to \$1,629,909 due to receiving stimulus dollars to help retain employees to pay for their salary and benefits and implementing general cost reduction measures.

- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.
- The Sales Tax account balance decreased by 1,223,267 due to the borrowing of funds to do a building addition and remodeling project at the elementary building site. The District ended fiscal 2011 with a balance of \$823,231. Fiscal 2010 ended with a balance of \$2,046,498.
- The Physical Plant and Equipment Levy account balance increased from \$132,129 at June 30, 2010 to \$328,666 at June 30, 2011.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$51,335 at June 30, 2010 to \$135,519 at June 30, 2011. A large portion of the increase was due to kitchen equipment that was transferred to the School Nutrition Fund from other District Funds. The District also closed a building mid-year which resulted in a reduction in staff.

BUDGETARY HIGHLIGHTS

Total District revenues were only \$5,540 more than budgeted receipts. The District received less state revenues and more federal revenues than expected during the 2011 fiscal year.

Total expenditures were \$2,420,883 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$6,471,658, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6). More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$226,608.

The largest change in capital asset activity during the year occurred in the construction of an addition to the elementary building. Also, a major remodeling of the existing part of the elementary building occurred along with new furnishings and equipment for the classrooms. This increase was financed by the issuance of revenue bonds and a capital loan note.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2010-2011
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Land	42,857	42,857	-	-	42,857	42,857	0%
Construction in progress	1,714,659	1,653,810	-	-	1,714,659	1,653,810	4%
Buildings	1,619,638	-	-	-	1,619,638	-	0%
Improvements	796,475	776,319	-	-	796,475	776,319	3%
Equipment & Furniture	2,218,436	2,055,001	79,593	9,600	2,298,029	2,064,601	11%
TOTAL	6,392,065	4,527,987	79,593	9,600	6,471,658	4,537,587	43%

Long-Term Debt

At June 30, 2011, the District had \$4,009,902 in revenue bonds and other long-term debt outstanding. This represents an increase from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a bond rating of A stable assigned by national rating agencies to the District's debt since 2009.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$11 million.

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

	Total School District		Percentage Change 2009-2010
	2011	2010	
	\$	\$	
Revenue bonds	3,330,000	2,600,000	27%
Capital loan notes	450,000	-	0%
Termination benefits	229,902	331,765	-31%
	4,009,902	2,931,765	37%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's total taxable valuation has stayed approximately the same from 09-10 and 10-11 fiscal years.

- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2012 at a cost of \$77,000. To pay for the bus, the District will use resources from the Physical Plant and Equipment Levy (PPEL) and Local Option Sales & Service Taxes (LOSST).
- The District's decreasing enrollment has seemed to level off. The 2010-2011 school year saw a slight increase in enrollment and a slight decrease in open enrolled out students.
- Fiscal year 2012 will be the last year of a 2 year contract with the Midland Education Association. The district will negotiate a new agreement during fiscal year 2012. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect in the District's General Fund Budget and related fund balances.
- The District is continuing to build the cash reserve to be able to absorb shortfalls by the State.
- Additional steps to increase revenue were taken by continuing participation in Iowa School Joint Investment Trust program.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian Rodenberg, Superintendent, Midland Community School District, 109 Green Street, Wyoming, Iowa, 52362.

BASIC FINANCIAL STATEMENTS

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	4,169,097	65,683	4,234,780
Receivables:			
Property tax:			
Delinquent	45,738	-	45,738
Succeeding year	2,792,504	-	2,792,504
Accounts	1,541	13	1,554
Due from other governments	529,497	-	529,497
Inventories	-	4,027	4,027
Bond issue costs	83,484	-	83,484
Capital assets, net of accumulated depreciation	6,392,065	79,593	6,471,658
Total assets	14,013,926	149,316	14,163,242
Liabilities			
Accounts payable	537,243	261	537,504
Salaries and benefits payable	462,105	10,842	472,947
Accrued interest payable	53,926	-	53,926
Deferred revenue:			
Succeeding year property tax	2,792,504	-	2,792,504
Other	91,828	2,694	94,522
Other payables	3,316	-	3,316
Long-term liabilities:			
Portion due within one year:			
Notes payable	50,000	-	50,000
Termination benefits	103,640	-	103,640
Portion due after one year:			
Revenue bonds payable	3,330,000	-	3,330,000
Notes payable	400,000	-	400,000
Termination benefits	126,262	-	126,262
Total liabilities	7,950,824	13,797	7,964,621
Net assets			
Invested in capital assets, net of related debt	3,191,359	79,593	3,270,952
Restricted for:			
Categorical funding	162,477	-	162,477
Management levy	17,462	-	17,462
Physical plant and equipment levy	328,666	-	328,666
Student activities	59,670	-	59,670
School infrastructure	170,937	-	170,937
Debt service	305,306	-	305,306
Unrestricted	1,827,225	55,926	1,883,151
Total net assets	6,063,102	135,519	6,198,621

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,335,516	211,976	829,772	-
Special	888,180	106,067	75,757	-
Other	656,271	86,741	107,910	-
	<u>3,879,967</u>	<u>404,784</u>	<u>1,013,439</u>	<u>-</u>
Support services:				
Student	118,547	-	-	-
Instructional staff	83,467	-	13,348	-
Administration	482,761	-	1,519	-
Operation and maintenance of plant	532,097	55	-	-
Transportation	484,124	200	528	-
	<u>1,700,996</u>	<u>255</u>	<u>15,395</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	605,955	-	-	6,500
Long-term debt interest	106,457	-	15,282	-
AEA flowthrough	241,379	-	241,379	-
Depreciation (unallocated)*	90,692	-	-	-
	<u>1,044,483</u>	<u>-</u>	<u>256,661</u>	<u>6,500</u>
Total governmental activities	6,625,446	405,039	1,285,495	6,500
Business type activities:				
Non-instructional programs:				
Food service operations	229,950	106,908	126,994	-
Total	<u>6,855,396</u>	<u>511,947</u>	<u>1,412,489</u>	<u>6,500</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues after transfers				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,293,768)	-	(1,293,768)
(706,356)	-	(706,356)
(461,620)	-	(461,620)
<u>(2,461,744)</u>	<u>-</u>	<u>(2,461,744)</u>
(118,547)	-	(118,547)
(70,119)	-	(70,119)
(481,242)	-	(481,242)
(532,042)	-	(532,042)
(483,396)	-	(483,396)
<u>(1,685,346)</u>	<u>-</u>	<u>(1,685,346)</u>
(599,455)	-	(599,455)
(91,175)	-	(91,175)
-	-	-
(90,692)	-	(90,692)
<u>(781,322)</u>	<u>-</u>	<u>(781,322)</u>
(4,928,412)	-	(4,928,412)
-	3,952	3,952
<u>(4,928,412)</u>	<u>3,952</u>	<u>(4,924,460)</u>
2,710,198	-	2,710,198
200,111	-	200,111
294,073	-	294,073
406,380	-	406,380
2,173,411	-	2,173,411
20,135	-	20,135
33,860	-	33,860
<u>5,838,168</u>	<u>-</u>	<u>5,838,168</u>
(80,232)	80,232	-
<u>5,757,936</u>	<u>80,232</u>	<u>5,838,168</u>
829,524	84,184	913,708
<u>5,233,578</u>	<u>51,335</u>	<u>5,284,913</u>
<u>6,063,102</u>	<u>135,519</u>	<u>6,198,621</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	2,271,466	1,304,589	593,042	4,169,097
Receivables:				
Property tax:				
Delinquent	42,484	3,254	-	45,738
Succeeding year	2,506,408	211,096	75,000	2,792,504
Accounts	44	-	1,497	1,541
Due from other governments	428,038	101,459	-	529,497
Total assets	5,248,440	1,620,398	669,539	7,538,377
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	278,565	257,405	1,273	537,243
Salaries and benefits payable	462,105	-	-	462,105
Deferred revenue:				
Succeeding year property tax	2,506,408	211,096	75,000	2,792,504
Income surtax	276,309	-	-	276,309
Other	91,828	-	-	91,828
Other current liabilities	3,316	-	-	3,316
Total liabilities	3,618,531	468,501	76,273	4,163,305
Fund balances:				
Restricted for:				
Categorical funding	162,477	-	-	162,477
Debt service	-	73,000	286,232	359,232
Management levy	-	-	247,364	247,364
Student activities	-	-	59,670	59,670
School infrastructure	-	750,231	-	750,231
Physical plant and equipment	-	328,666	-	328,666
Unassigned	1,467,432	-	-	1,467,432
Total fund balances	1,629,909	1,151,897	593,266	3,375,072
Total liabilities and fund balances	5,248,440	1,620,398	669,539	7,538,377

MIDLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

	\$
Total fund balances of governmental funds (Exhibit C)	3,375,072
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,392,065
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	83,484
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	276,309
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.	(53,926)
Long-term liabilities, including bonds payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(4,009,902)</u>
Net assets of governmental activities (Exhibit A)	<u><u>6,063,102</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,957,412	612,729	-	3,570,141
Tuition	213,034	-	-	213,034
Other	115,655	12,240	101,291	229,186
State sources	2,813,177	330	-	2,813,507
Federal sources	628,598	8,019	-	636,617
Total revenues	<u>6,727,876</u>	<u>633,318</u>	<u>101,291</u>	<u>7,462,485</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,334,054	26,367	89,273	2,449,694
Special	888,180	-	-	888,180
Other	570,642	-	85,629	656,271
	<u>3,792,876</u>	<u>26,367</u>	<u>174,902</u>	<u>3,994,145</u>
Support services:				
Student	165,957	-	390	166,347
Instructional staff	79,236	3,975	256	83,467
Administration	457,014	31,713	20,206	508,933
Operation and maintenance of plant	560,027	32,419	44,120	636,566
Transportation	443,695	73,616	19,724	537,035
	<u>1,705,929</u>	<u>141,723</u>	<u>84,696</u>	<u>1,932,348</u>
Other expenditures:				
Facilities acquisition	-	2,391,327	-	2,391,327
Long-term debt:				
Principal	-	-	50,000	50,000
Interest and fiscal charges	-	-	96,847	96,847
AEA flowthrough	241,379	-	-	241,379
	<u>241,379</u>	<u>2,391,327</u>	<u>146,847</u>	<u>2,779,553</u>
Total expenditures	<u>5,740,184</u>	<u>2,559,417</u>	<u>406,445</u>	<u>8,706,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>987,692</u>	<u>(1,926,099)</u>	<u>(305,154)</u>	<u>(1,243,561)</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	<u>General</u>	<u>Capital</u> <u>Projects</u>	<u>Nonmajor</u> <u>Governmental</u>	<u>Total</u>
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	1,703	13,467	-	15,170
Proceeds form long-term loans	-	500,000	-	500,000
Bonds issued	-	730,000	-	730,000
Bond issue costs	-	(23,898)	-	(23,898)
Sales of equipment	11,926	5,000	-	16,926
Operating transfers in	-	-	325,200	325,200
Operating transfers out	-	(325,200)	-	(325,200)
	<u>13,629</u>	<u>899,369</u>	<u>325,200</u>	<u>1,238,198</u>
Total other financing sources (uses)				
Net change in fund balances	1,001,321	(1,026,730)	20,046	(5,363)
Fund balances beginning of year, as restated	<u>628,588</u>	<u>2,178,627</u>	<u>573,220</u>	<u>3,380,435</u>
Fund balances end of year	<u><u>1,629,909</u></u>	<u><u>1,151,897</u></u>	<u><u>593,266</u></u>	<u><u>3,375,072</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(5,363)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	2,679,789	
Depreciation expense	<u>(215,719)</u>	2,464,070
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		40,621
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		17,935
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		50,000
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 interest expense is recognized as the interest accrues, regardless of when it is due.		(9,610)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		101,863
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(1,230,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,429,516</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	65,683
Accounts receivable	13
Inventories	4,027
Capital assets, net of accumulated depreciation	<u>79,593</u>
Total assets	<u>149,316</u>
Liabilities	
Accounts payable	261
Salaries and benefits payable	10,842
Deferred revenue	<u>2,694</u>
Total liabilities	<u>13,797</u>
Net assets	
Invested in capital assets	79,593
Unrestricted	<u>55,926</u>
Total net assets	<u><u>135,519</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor School Nutrition <u> </u> \$
Operating revenues:	
Local sources:	
Charges for service	<u>106,908</u>
Operating expenses:	
Non-instructional programs:	
Salaries	95,620
Benefits	13,878
Purchased services	3,082
Supplies	105,528
Depreciation	10,899
Other	943
Total operating expenses	<u>229,950</u>
Operating income (loss)	<u>(123,042)</u>
Non-operating revenues:	
State sources	2,231
Federal sources	124,763
Total non-operating revenues	<u>126,994</u>
Income (loss) before contributions	3,952
Capital contributions	<u>80,232</u>
Change in net assets	84,184
Net assets beginning of year	<u>51,335</u>
Net assets end of year	<u><u>135,519</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	107,433
Cash payments to employees for services	(102,786)
Cash payments to suppliers for goods or services	(99,084)
Net cash used by operating activities	<u>(94,437)</u>
Cash flows from non-capital financing activities:	
State grants received	2,231
Federal grants received	116,158
Net cash provided by non-capital financing activities	<u>118,389</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,603)</u>
Cash flows from investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	22,349
Cash and cash equivalents at beginning of year	<u>43,334</u>
Cash and cash equivalents at end of year	<u><u>65,683</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(123,042)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	8,605
Depreciation	10,899
Decrease (increase) in inventories	660
Decrease (increase) in accounts receivable	33
(Decrease) increase in accounts payable	261
(Decrease) increase in salaries and benefits payable	6,712
(Decrease) increase in deferred revenue	492
Increase in other postemployment benefits	943
Net cash used by operating activities	<u><u>(94,437)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011 the District received \$8,605 of federal commodities.

During the year ended June 30, 2011 the School Nutrition Fund received \$80,232 of equipment that was purchased by other funds.

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	15,278
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>15,278</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	597
Deductions:	
Support services:	
Scholarships awarded	<u>850</u>
Change in net assets	(253)
Net assets beginning of year	<u>15,531</u>
Net assets end of year	<u><u>15,278</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

Midland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Wyoming, Onslow, Oxford Junction, Lost Nation, Center Junction and Monmouth, Iowa and the predominately agricultural territory in a portion of Jones, Jackson, Clinton and Cedar Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

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 and other capital assets.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	2,500
Buildings	2,500
Improvements other than buildings	2,500
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 over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Intangibles	3-10 years
Furniture and equipment	3-15 years

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

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

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

Fund Equity – In the governmental fund financial statements fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, the District did not exceed the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$1,406,843 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount \$
Nonmajor Governmental, Debt Service Fund	Capital Projects Fund	325,200

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year, Restated \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	42,857	-	-	42,857
Construction in progress	1,653,810	1,714,659	1,653,810	1,714,659
	<u>1,696,667</u>	<u>1,714,659</u>	<u>1,653,810</u>	<u>1,757,516</u>
Capital assets being depreciated:				
Buildings	2,318,832	1,653,810	-	3,972,642
Improvements other than buildings	1,298,406	76,676	-	1,375,082
Furniture and equipment	3,229,436	288,462	63,565	3,454,333
Total capital assets being deprec.	<u>6,846,674</u>	<u>2,018,948</u>	<u>63,565</u>	<u>8,802,057</u>
Less accumulated depreciation for:				
Buildings	2,319,928	33,076	-	2,353,004
Improvements other than buildings	520,991	57,616	-	578,607
Furniture and equipment	1,174,435	125,027	63,565	1,235,897
Total accumulated depreciation	<u>4,015,354</u>	<u>215,719</u>	<u>63,565</u>	<u>4,167,508</u>
Total capital assets being depreciated, net	<u>2,831,320</u>	<u>1,803,229</u>	<u>-</u>	<u>4,634,549</u>
Governmental activities capital assets, net	<u>4,527,987</u>	<u>3,517,888</u>	<u>1,653,810</u>	<u>6,392,065</u>

Governmental activities capital assets beginning net assets have been restated to correct the net assets beginning balances by a net increase of \$1,570,455.

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	104,033	81,835	10,431	175,437
Less accumulated depreciation	<u>94,433</u>	<u>10,889</u>	<u>9,478</u>	<u>95,844</u>
Business type activities capital assets, net	<u>9,600</u>	<u>70,946</u>	<u>953</u>	<u>79,593</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	27,410
Support services:	
Student Support	6,700
Administration	4,554
Operation and maintenance of plant services	3,512
Transportation	<u>82,851</u>
	125,027
Unallocated depreciation	<u>90,692</u>
Total depreciation expense – governmental activities	<u>215,719</u>
Business type activities:	
Food services	<u>10,889</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Revenue bonds	2,600,000	730,000	-	3,330,000	-
Capital Loan Note	-	500,000	50,000	450,000	50,000
Termination benefits	<u>331,765</u>	<u>-</u>	<u>101,863</u>	<u>229,902</u>	<u>103,640</u>
Total	<u>2,931,765</u>	<u>1,230,000</u>	<u>151,863</u>	<u>4,009,902</u>	<u>153,640</u>

Termination Benefits

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

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

At June 30, 2011, the District has obligations to 13 participants with a total liability of \$229,902. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$101,863.

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	-	-	76,700	76,700
2013	-	-	76,700	76,700
2014	-	-	76,700	76,700
2015	-	-	76,700	76,700
2016	-	-	76,700	76,700
2017-2021	-	-	383,500	383,500
2022-2025	2.95	2,600,000	268,450	2,868,450
		<u>2,600,000</u>	<u>1,035,450</u>	<u>3,635,450</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,600,000 of bonds issued in December 2009. The bonds were issued for the purpose of financing a portion of the costs of school construction. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2025. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Starting July 1, 2010; the District is required to set aside \$178,354 per year in a sinking fund to be used to pay the bonds at maturity. Annual sinking fund and interest payments on the bonds are expected to require nearly 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,635,450. For the current year, no principal and \$82,666 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$406,380.

Year Ending June 30,	Bond Issue of August 2010			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	-	-	29,957	29,957
2013	-	-	29,957	29,957
2014	-	-	29,957	29,957
2015	-	-	29,957	29,957
2016	-	-	29,957	29,957
2017-2021	-	-	149,789	149,789
2022-2026	4.00-4.05	135,000	147,088	282,088
2027-2029	4.10-4.20	595,000	50,619	645,619
		<u>730,000</u>	<u>497,281</u>	<u>1,227,281</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$730,000 bonds issued in August 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 90% of the statewide sales, services and use tax revenues. The total principal and interest remaining

to be paid on the notes is \$1,227,281. For the current year, no principal and \$7,489 of interest was paid on the bonds.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions: Bonds maturing after January 1, 2017, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.

- \$286,232 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

Capital Loan Notes

The District issued \$500,000 of capital loan notes during the year ended June 30, 2011. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	1.25	50,000	7,163	57,163
2013	1.25	55,000	6,537	61,537
2014	1.40	95,000	5,850	100,850
2015	1.70	115,000	4,520	119,520
2016	1.90	135,000	2,565	137,565
		<u>450,000</u>	<u>26,635</u>	<u>476,685</u>

During the year ended June 30, 2011 the District made principal and interest payments totaling \$55,192 under the note agreements.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$195,962, \$204,679 and \$190,166 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

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 57 active and 8 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.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	25,004
Interest on net OPEB obligation	(333)
Adjustment to annual required contribution	<u>(1,896)</u>
Annual OPEB cost	22,775
Contributions made	<u>22,775</u>
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>-</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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, 2011.

For the year ended June 30, 2011, the District contributed \$22,775 to the medical plan. Plan members eligible for benefits contributed \$1,612, 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, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	24,948	100%	-
2011	22,775	100%	-

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$208,761, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$208,761. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,039,000, and the ratio of the UAAL to covered payroll was 10.2%. As of June 30, 2011 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.

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, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

8. Risk Management

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

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 \$241,379 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into a \$3,481,474 contract for construction. As of June 30, 2011 costs of \$3,311,675 had been incurred against the contract. The balance of \$169,799 remaining at June 30, 2011 will be paid as work on the project progresses.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
	\$
At-risk	15,530
Returning dropout and dropout prevention program	124,094
Teacher salary supplement	7,101
Beginning teacher mentoring	5,004
Core curriculum	6,691
Professional development	1,576
Gifted and talented	2,237
Home school assistance program	244
	162,477

12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
	\$	\$
Balances June 30, 2010, as previously reported	2,046,498	132,129
Change in fund type classification per implementation of GASB Statement No. 54	132,129	(132,129)
Balances July 1, 2010, as restated	2,178,627	-

REQUIRED SUPPLEMENTARY INFORMATION

MIDLAND COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,012,361	106,908	4,119,269	4,147,738	4,147,738	(28,469)
State sources	2,813,507	2,231	2,815,738	3,162,041	3,162,041	(346,303)
Federal sources	636,617	124,763	761,380	381,068	381,068	380,312
Total revenues	<u>7,462,485</u>	<u>233,902</u>	<u>7,696,387</u>	<u>7,690,847</u>	<u>7,690,847</u>	<u>5,540</u>
Expenditures/Expenses:						
Instruction	3,994,145	-	3,994,145	5,053,705	5,053,705	1,059,560
Support services	1,932,348	-	1,932,348	3,016,982	3,016,982	1,084,634
Non-instructional programs	-	229,950	229,950	315,932	315,932	85,982
Other expenditures	2,779,553	-	2,779,553	2,970,260	2,970,260	190,707
Total expenditures/expenses	<u>8,706,046</u>	<u>229,950</u>	<u>8,935,996</u>	<u>11,356,879</u>	<u>11,356,879</u>	<u>2,420,883</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,243,561)	3,952	(1,239,609)	(3,666,032)	(3,666,032)	2,426,423
Other financing sources (uses) net	<u>1,238,198</u>	<u>80,232</u>	<u>1,318,430</u>	<u>900</u>	<u>900</u>	<u>1,317,530</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(5,363)	84,184	78,821	(3,665,132)	(3,665,132)	3,743,953
Balance beginning of year	<u>3,380,435</u>	<u>51,335</u>	<u>3,431,770</u>	<u>3,805,132</u>	<u>3,805,132</u>	<u>(373,362)</u>
Balance end of year	<u><u>3,375,072</u></u>	<u><u>135,519</u></u>	<u><u>3,510,591</u></u>	<u><u>140,000</u></u>	<u><u>140,000</u></u>	<u><u>3,370,591</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

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, 2009	-	248,255	248,255	0.0%	2,170,000	11.4%
2011	July 1, 2009	-	208,761	208,761	0.0%	2,039,000	10.2%

See Note 7 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

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

Assets	Management Levy	Student Activity	Debt Service	Total
	\$	\$	\$	\$
Cash and pooled investments	247,621	59,189	286,232	593,042
Receivables:				
Property tax:				
Succeeding year	75,000	-	-	75,000
Accounts	-	1,497	-	1,497
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>322,621</u></u>	<u><u>60,686</u></u>	<u><u>286,232</u></u>	<u><u>669,539</u></u>
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	257	1,016	-	1,273
Deferred revenue:				
Succeeding year property tax	75,000	-	-	75,000
Total liabilities	<u>75,257</u>	<u>1,016</u>	<u>-</u>	<u>76,273</u>
Fund balances:				
Restricted for:				
Debt service	-	-	286,232	286,232
Management levy	247,364	-	-	247,364
Student activities	-	59,670	-	59,670
Total fund balances	<u>247,364</u>	<u>59,670</u>	<u>286,232</u>	<u>593,266</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>322,621</u></u>	<u><u>60,686</u></u>	<u><u>286,232</u></u>	<u><u>669,539</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Other	9,182	87,279	4,830	101,291
Expenditures:				
Current:				
Instruction:				
Regular	89,273	-	-	89,273
Other	-	85,629	-	85,629
Support services:				
Student	390	-	-	390
Instructional staff	256	-	-	256
Administration	20,206	-	-	20,206
Operation and maintenance of plant	43,675	445	-	44,120
Transportation	19,724	-	-	19,724
Other expenditures:				
Long-term debt:				
Principal	-	-	50,000	50,000
Interest and fiscal charges	-	-	96,847	96,847
Total expenditures	173,524	86,074	146,847	406,445
Excess (deficiency) of revenues over (under) expenditures	(164,342)	1,205	(142,017)	(305,154)
Other financing sources (uses):				
Operating transfers in	-	-	325,200	325,200
Net change in fund balance	(164,342)	1,205	183,183	20,046
Fund balances beginning of year, as restated	411,706	58,465	103,049	573,220
Fund balances end of year	247,364	59,670	286,232	593,266

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	Total \$
Assets			
Cash and pooled investments	984,801	319,788	1,304,589
Receivables:			
Property tax:			
Delinquent	-	3,254	3,254
Succeeding year	-	211,096	211,096
Due from other governments	94,959	6,500	101,459
Total assets	1,079,760	540,638	1,620,398
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	256,529	876	257,405
Deferred revenue:			
Succeeding year property tax	-	211,096	211,096
Total liabilities	256,529	211,972	468,501
Fund balances:			
Restricted for:			
Debt service	73,000	-	73,000
School infrastructure	750,231	-	750,231
Physical plant and equipment	-	328,666	328,666
Total fund balances	823,231	328,666	1,151,897
Total liabilities and fund balances	1,079,760	540,638	1,620,398

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	Total \$
Revenues:			
Local sources:			
Local tax	406,380	206,349	612,729
Other	10,452	1,788	12,240
State sources	-	330	330
Federal sources	-	8,019	8,019
Total revenues	<u>416,832</u>	<u>216,486</u>	<u>633,318</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	25,344	1,023	26,367
Support services:			
Instructional staff services	-	3,975	3,975
Administration services	4,491	27,222	31,713
Operation and maintenance of plant	-	32,419	32,419
Transportation services	-	73,616	73,616
Other expenditures:			
Facilities acquisition	2,054,344	336,983	2,391,327
Total expenditures	<u>2,084,179</u>	<u>475,238</u>	<u>2,559,417</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,667,347)</u>	<u>(258,752)</u>	<u>(1,926,099)</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	-	13,467	13,467
Sale of real property	-	5,000	5,000
Proceeds from long-term loans	-	500,000	500,000
Bonds issued	730,000	-	730,000
Bond issue costs	(15,912)	(7,986)	(23,898)
Operating transfers out	<u>(270,008)</u>	<u>(55,192)</u>	<u>(325,200)</u>
Total other financing sources (uses)	<u>444,080</u>	<u>455,289</u>	<u>899,369</u>
Net change in fund balance	(1,223,267)	196,537	(1,026,730)
Fund balances beginning of year, as restated	<u>2,046,498</u>	<u>132,129</u>	<u>2,178,627</u>
Fund balance end of year	<u>823,231</u>	<u>328,666</u>	<u>1,151,897</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Band revolving	260	342	365	-	237
K-5 vocal music	272	-	-	-	272
Big East Conference	32	1,339	2,173	802	-
Scoreboard account	112	-	-	-	112
Athletics	(2,765)	27,217	28,293	4,274	433
Yearbook	7,626	2,220	21	-	9,825
HS student council	5,013	5,372	7,399	(2,826)	160
N.H.S./fund balance	105	294	110	-	289
SES (Dance team)	280	-	-	-	280
Cheerleaders	536	-	-	-	536
FCCLA	1,096	-	-	(1,096)	-
Ag. club	14,138	29,464	25,758	8	17,852
Tag fund raising	14	-	-	-	14
Foreign language club	2,557	190	361	-	2,386
Invent Iowa	317	-	-	-	317
MS student council	860	260	22	-	1,098
Savings interest	-	130	-	(130)	-
SAFE	50	-	-	-	50
FFA wildflower co-op	6,546	114	-	1,799	8,459
Tatu (Stand)	340	-	-	-	340
Band room fund raiser	-	545	-	-	545
Environment grant fund	332	-	332	-	-
OJ book fairs	1,088	1,325	1,325	-	1,088
Fine arts	2,429	2,136	2,052	-	2,513
4th & 5th Incentive	737	-	-	(737)	-
Elementary (pop account)	1,554	1,435	874	(74)	2,041
Art fund	19	-	-	-	19
Art club	222	358	315	-	265
Boys basketball camp	92	-	-	-	92
Interest	-	307	-	(307)	-
High school incentives	1,873	399	192	-	2,080
Elementary book fair	252	503	503	-	252
Oxford junction pop machine	691	513	1,279	75	-
Elementary fundraiser combined	-	2,709	1,453	3,069	4,325
OJ 4 & 5 incentive	1,754	-	-	(1,754)	-
Onslow K-3 activity	1,932	-	-	(1,932)	-
Elementary box top	1,140	2,217	3,974	617	-
BELC donation fund combined	-	100	602	1,068	566
OJ/BELC donation/fund balance	921	-	-	(921)	-

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
ONS/BELC donation/fund balance	250	-	-	(250)	-
Elem. Assistance	47	25	175	103	-
Middle school incentives	1,124	-	-	-	1,124
Sound system balance	60	-	-	(60)	-
Print cartridge fund	312	81	139	-	254
Kelly Block-Davidson memorial	368	-	117	-	251
Class of 2009	303	-	-	-	303
Class of 2010	652	-	-	-	652
Class of 2011	2,924	33	2,317	-	640
Class of 2012	-	7,651	5,923	(1,728)	-
Totals	<u>58,465</u>	<u>87,279</u>	<u>86,074</u>	<u>-</u>	<u>59,670</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

Modified Accrual Basis

	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	3,570,141	3,497,091	3,385,477	3,346,942	3,352,829	3,142,356	3,284,634	3,351,863
Tuition	213,034	156,044	136,663	155,580	164,339	107,249	103,064	125,238
Other	229,186	200,348	248,559	306,207	278,862	248,238	205,937	193,666
Intermediate sources	-	-	-	-	-	-	-	2,836
State sources	2,813,507	2,490,223	3,034,292	2,935,668	2,659,188	2,730,699	2,818,011	2,759,844
Federal sources	636,617	343,809	227,871	244,829	244,016	268,619	260,998	229,029
Total revenues	<u>7,462,485</u>	<u>6,687,515</u>	<u>7,032,862</u>	<u>6,989,226</u>	<u>6,699,234</u>	<u>6,497,161</u>	<u>6,672,644</u>	<u>6,662,476</u>
Expenditures:								
Instruction:								
Regular	2,449,694	2,399,355	2,189,114	2,211,829	2,519,018	2,392,213	2,396,800	2,399,410
Special	888,180	873,610	1,047,891	1,019,536	866,378	842,127	892,618	1,056,081
Other	656,271	708,391	532,833	765,087	762,651	748,183	618,321	430,536
Support services:								
Student	166,347	128,501	131,945	304,769	285,577	291,357	264,784	245,736
Instructional staff	83,467	73,851	76,631	86,282	192,303	247,796	138,643	92,767
Administration	508,933	593,876	555,995	730,835	878,838	865,207	710,244	634,671
Operation and maintenance	636,566	504,299	524,515	570,287	623,125	633,546	554,315	503,425
Transportation	537,035	373,708	476,350	536,759	533,177	448,985	382,458	465,503
Non-instructional programs	-	-	-	5,550	-	-	-	-
Other expenditures:								
Facilities acquisition	2,391,327	1,624,726	371,935	326,577	204,622	317,742	284,010	365,570
Long-term debt:								
Principal	50,000	-	-	-	-	-	-	-
Interest and other charges	96,847	-	-	-	-	-	-	-
AEA flowthrough	241,379	240,008	223,009	218,416	212,007	205,468	207,443	213,534
Total expenditures	<u>8,706,046</u>	<u>7,520,325</u>	<u>6,130,218</u>	<u>6,775,927</u>	<u>7,077,696</u>	<u>6,992,624</u>	<u>6,449,636</u>	<u>6,407,233</u>

See accompanying independent auditor's report.

MIDLAND COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Direct:			
U.S. Department of Education:			
Rural Education	84.358	FY11	<u>13,348</u>
Subtotal Direct			13,348
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	28,218
National School Lunch Program (non-cash)	10.555	FY11	8,605
National School Lunch Program	10.555	FY11	<u>87,940</u>
			<u>124,763</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	91,432
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	<u>14,546</u>
			<u>105,978</u>
Career and Technical Education - Basic Grants to States	84.048	FY11	7,672
Fund for the Improvement of Education	84.215	FY11	6,500
Parental Information and Resource Centers	84.310	FY11	8,268
Reading First State Grants	84.357	FY11	12,139
Improving Teacher Quality State Grants	84.367	FY11	40,979
Grants for State Assessments and Related Activities	84.369	FY11	2,776
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	261,106
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY11	<u>27,909</u>
			<u>289,015</u>
Education Jobs Fund	84.410	FY11	72,666
Grant Wood Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY11	29,232
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	<u>46,525</u>
			<u>75,757</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance	97.036	FY11	<u>1,519</u>
Subtotal Indirect			<u>748,032</u>
Total			<u><u>761,380</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Midland 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 Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

To the Board of Education of
Midland Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Midland Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 24, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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.

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 a 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 deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 11-II-A and 11-II-B to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

April 24, 2012

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Midland Community School District:

Compliance

We have audited Midland Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Midland Community School District's major federal programs for the year ended June 30, 2011. Midland 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 grants applicable to each of its major federal programs is the responsibility of Midland Community School District's management. Our responsibility is to express an opinion on Midland 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 noncompliance 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 Midland 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 Midland Community School District's compliance with those requirements.

In our opinion, Midland Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Midland Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Midland Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our

opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Midland Community School District's internal control over compliance.

A deficiency in 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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

April 24, 2012

Midland Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were 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 are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - State Fiscal Stabilization Cluster
 - CFDA Number 84.394 – ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
 - CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act
 - School Nutrition Cluster
 - CFDA Number 10.553- School Breakfast Program
 - CFDA Number 10.555- National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Midland Community School District did not qualify as a low-risk auditee.

Midland Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

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

Conclusion: Response accepted.

11-II-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

Midland Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

Midland Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- 11-IV-A Certified Budget: Expenditures for the year ended June 30, 2011 did not exceed the certified budget amounts.
- 11-IV-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 11-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 11-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Carol Andresen board member is employee at bank utilized by the District	School Banking	

Recommendation: When school board members have relationships with local banks, conflicts of interest may occur with school banking agreements and when the bank has a depositor or lender relationship with entities that also do business with the school. The board should consult with its attorney before entering into any transactions that may appear to be a conflict of interest.

District Response: We will consult with our attorney on all issues that might be a conflict of interest.

Conclusion: Response accepted.

- 11-IV-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 11-IV-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 11-IV-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2010, was understated by one student.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We have contacted these departments.

Conclusion: Response accepted.
- 11-IV-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Midland Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2011

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

- 11-IV-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 11-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 11-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		2,046,498
Revenues/transfers in:		
Statewide sales, services and use tax revenue	406,380	
Other local revenues	10,452	
Revenue bonds issued	730,000	1,146,832
Expenditures/transfers out:		
School infrastructure construction	2,054,344	
Other	45,747	
Transfers to debt service fund	270,008	2,370,099
Ending balance		823,231

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.