

MIDLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2013, 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the

required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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

March 13, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,727,876 in fiscal 2011 to \$6,265,945 in fiscal 2012, while General Fund expenditures decreased from \$5,740,184 in fiscal 2011 to \$5,628,208 in fiscal 2012. The District's General Fund balance increased from \$1,629,909 in fiscal 2011 to \$2,270,544 in fiscal 2012.
- The fiscal year 2012 decrease in General Fund revenue was attributable to a decrease in property tax and federal grant revenue. The decrease in expenditures was due primarily to the closing of a building which saved the District a significant amount in maintenance costs and heating fuel costs. The District also was able to make a reduction in support staff. One reason the General Fund balance increased was because of the reduction in expenditures in the General Fund.

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.

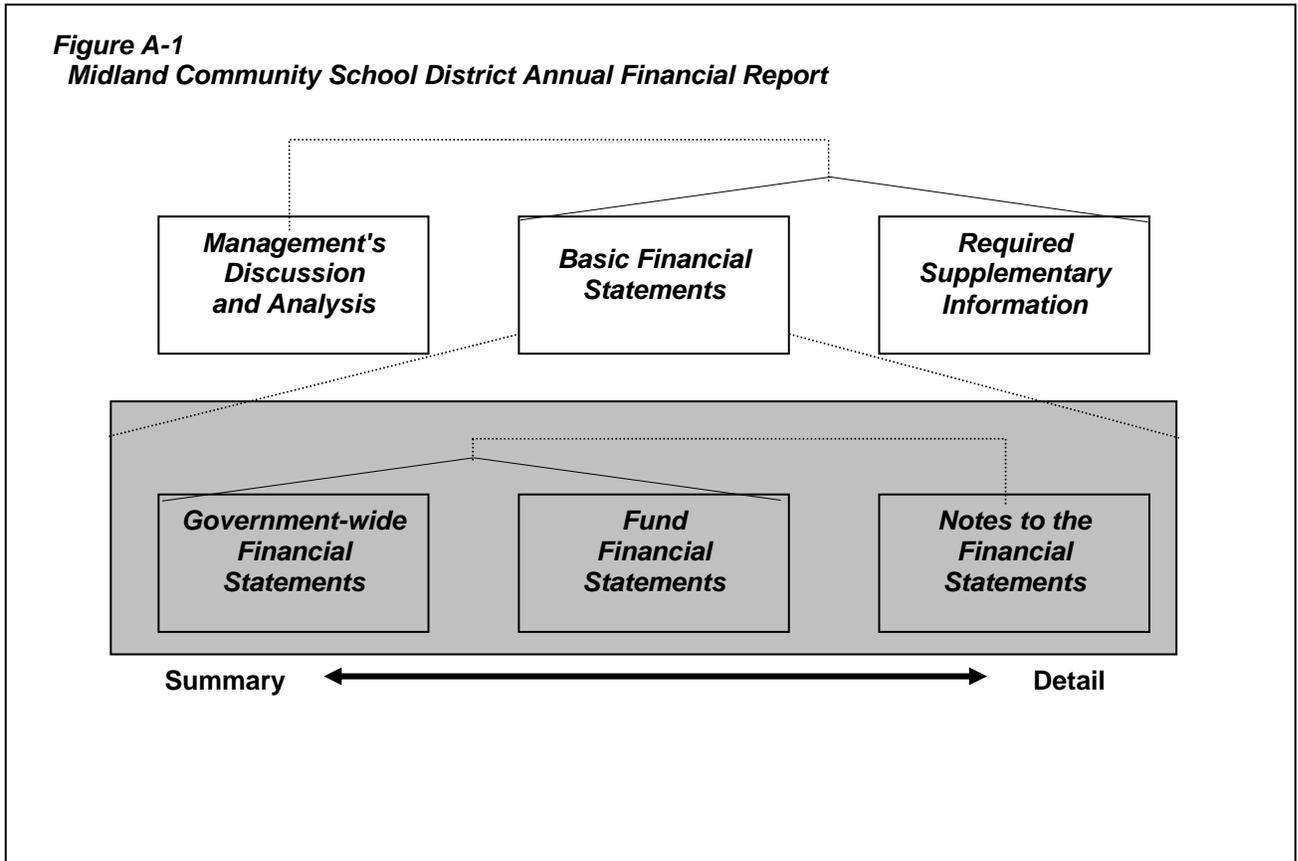


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2012 compared to June 30, 2011.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2011-2012
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Current and other assets	7,621,861	7,339,176	69,723	66,899	7,691,584	7,406,075	-4%
Capital assets	6,392,065	4,924,456	79,593	68,324	6,471,658	4,992,780	-23%
Total assets	14,013,926	12,263,632	149,316	135,223	14,163,242	12,398,855	-12%
Long-term liabilities	4,009,902	4,001,781	-	-	4,009,902	4,001,781	<-1%
Other liabilities	3,940,922	3,245,649	13,797	14,627	3,954,719	3,260,276	-18%
Total liabilities	7,950,824	7,247,430	13,797	14,627	7,964,621	7,262,057	-9%
Net Assets:							
Invested in capital assets, net of related debt	3,191,359	1,058,064	79,593	68,324	3,270,952	1,126,388	-66%
Restricted	1,044,518	1,534,110	-	-	1,044,518	1,534,110	47%
Unrestricted	1,827,225	2,424,028	55,926	52,272	1,883,151	2,476,300	31%
TOTAL NET ASSETS	6,063,102	5,016,202	135,519	120,596	6,198,621	5,136,798	-17%

The District's combined net assets decreased 17%, or approximately \$1,061,823, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$489,592 or 47% 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 \$593,149, or 31%. This increase in unrestricted net assets was primarily a result of a large increase in the General Fund balance and a reduction in expenditures.

Figure A-4 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4

	Change in Net Assets						Percentage Change 2011-2012
	Governmental Activities		Business-type Activities		Total School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	405,039	288,117	106,908	105,078	511,947	393,195	-23%
Operating grants & contributions	1,285,495	977,504	126,994	135,933	1,412,489	1,113,437	-21%
Capital grants & contributions	6,500	62,159	-	-	6,500	62,159	856%
General Revenues:							
Property taxes	2,910,309	2,790,821	-	-	2,910,309	2,790,821	-4%
Income Surtax	294,073	279,961	-	-	294,073	279,961	-5%
Statewide sales & service tax	406,380	431,232	-	-	406,380	431,232	6%
Unrestricted state grants	2,173,411	2,314,654	-	-	2,173,411	2,314,654	6%
Unrestricted investment earnings	20,135	10,394	-	-	20,135	10,394	-48%
Gain on sale of capital assets	-	87,645	-	-	-	87,645	100%
Other revenue	33,860	11,421	-	-	33,860	11,421	-66%
Total Revenues	7,535,202	7,253,908	233,902	241,011	7,769,104	7,494,919	-4%
Expenses:							
Instruction	3,879,967	4,082,324	-	-	3,879,967	4,082,324	5%
Support services	1,700,996	1,761,409	-	-	1,700,996	1,761,409	4%
Non-instructional programs	-	-	229,950	255,934	229,950	255,934	11%
Other expenditures	1,044,483	705,487	-	-	1,044,483	705,487	-32%
Total expenses	6,625,446	6,549,220	229,950	255,934	6,855,396	6,805,154	-1%
Change in net assets before transfers	909,756	704,688	3,952	(14,923)	913,708	689,765	-25%
Transfers	(80,232)	-	80,232	-	-	-	0%
Change in net assets	829,524	704,688	84,184	(14,923)	913,708	689,765	-25%
Net assets beginning of year (restated)	5,233,578	4,311,514	51,335	135,519	5,284,913	4,447,033	-16%
Net assets end of year	<u>6,063,102</u>	<u>5,016,202</u>	<u>135,519</u>	<u>120,596</u>	<u>6,198,621</u>	<u>5,136,798</u>	<u>-17%</u>

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,253,908 and expenses were \$6,549,220.

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 2012 \$	Net Cost of Services 2011 \$	Net Cost of Services 2012 \$
Instruction	3,879,967	4,082,324	2,461,744	3,036,886
Support Services	1,700,996	1,761,409	1,685,346	1,760,236
Other Expenses	1,044,483	705,487	781,322	424,318
TOTAL	6,625,446	6,549,220	4,928,412	5,221,440

- The cost financed by users of the District's programs was \$288,117.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$977,504.
- The net cost of governmental activities was financed with \$3,502,014 in property and other taxes and \$2,314,654 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$241,011 and expenses were \$255,934. 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 \$3,820,347, above last year's ending fund balances of \$3,375,072.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors.
- The General Fund balance increased from \$1,629,909 to \$2,270,544 due to the closing of a building which saved the District in maintenance costs and heating fuel costs. The District was also able to make a reduction in support staff.
- 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 \$247,013 due to the continuing building addition and remodeling project at the elementary building site along with the construction of new playground equipment. At the MS/HS building projects included a roof replacement, improvement to the gym area and the paving of parking lots. The District ended fiscal 2012 with a balance of \$576,218. Fiscal 2011 ended with a balance of \$823,231.
- The Physical Plant and Equipment Levy account balance decreased from \$328,666 at June 30, 2011 to \$314,325 at June 30, 2012.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$135,519 at June 30, 2011 to \$120,596 at June 30, 2012. A large portion of the decrease was due to an increase in operating costs.

BUDGETARY HIGHLIGHTS

Total District revenues were only \$15,798 less than budgeted receipts.

Total expenditures were \$612,870 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.

During the year, the District adopted one budget amendment increasing budgeted expenditures by \$275,000.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional program function due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$4,992,780, 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 \$283,423.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$1,619,638 at June 30, 2011 compared to \$3,333,442 at June 30, 2012. This increase resulted from the completion of the construction and remodeling of the elementary building.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2011-2012
	Activities		Activities		School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Land	42,857	42,857	-	-	42,857	42,857	0%
Construction in progress	1,714,659	77,750	-	-	1,714,659	77,750	-95%
Buildings	1,619,638	3,333,442	-	-	1,619,638	3,333,442	106%
Improvements	796,475	777,413	-	-	796,475	777,413	-2%
Equipment & Furniture	2,218,436	692,994	79,593	68,324	2,298,029	761,318	-67%
TOTAL	6,392,065	4,924,456	79,593	68,324	6,471,658	4,992,780	-23%

Long-Term Debt

At June 30, 2012, the District had \$4,001,781 in revenue bonds, capital loan notes and other long-term debt outstanding. This represents a decrease from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

As of June 30, 2012 the District had revenue bonds payable of \$3,330,000, capital loan notes payable of \$400,000, and capital leases payable of \$136,392. These loans are to be paid with Statewide Sales & Services Tax revenues and Special Revenue, Physical Plant and Equipment Levy Fund.

The District had early retirement benefits of \$124,066 payable from the Special Revenue, Management Levy Fund.

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

	Total School District		Percentage Change 2011-2012
	2011	2012	
	\$	\$	
Revenue bonds	3,330,000	3,330,000	0%
Capital loan notes	450,000	400,000	-11%
Capital lease	-	136,392	100%
Termination benefits	229,902	124,066	-46%
Net OPEB liability	-	11,323	100%
	4,009,902	4,001,781	<-1%

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 valuation has shown a steady increase over the past 3 years
- Transportation needs are addressed and a new bus will be purchased in July of 2014 at a cost of about \$80,000. Vehicles used for special education transportation will need to be replaced on a rotating basis. The school bus will come out of Physical Plant & Equipment Levy Fund and/or Statewide Sales and Services Tax and the other vehicles will be paid for by Special Education dollars.
- Enrollment for the District is quite uncertain. We tend to have a number of transient students, those that enroll and then midyear move out of the district.
- Negotiated contracts have been settled at a rate higher than allowable growth. Adjustments made to the staff are made to address this situation.
- The District is continuing to manage 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, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	4,416,501	53,581	4,470,082
Receivables:			
Property tax:			
Delinquent	51,201	-	51,201
Succeeding year	2,282,526	-	2,282,526
Accounts	3,779	46	3,825
Due from other governments	519,620	11,829	531,449
Inventories	-	1,443	1,443
Bond issue costs	65,549	-	65,549
Capital assets, net of accumulated depreciation	4,924,456	68,324	4,992,780
	<u>12,263,632</u>	<u>135,223</u>	<u>12,398,855</u>
Liabilities			
Accounts payable	397,490	10	397,500
Salaries and benefits payable	503,802	12,186	515,988
Accrued interest payable	60,762	-	60,762
Deferred revenue:			
Succeeding year property tax	2,282,526	-	2,282,526
Other	1,069	2,431	3,500
Long-term liabilities:			
Portion due within one year:			
Notes payable	55,000	-	55,000
Capital leases	50,154	-	50,154
Termination benefits	52,000	-	52,000
Portion due after one year:			
Revenue bonds payable	3,330,000	-	3,330,000
Notes payable	345,000	-	345,000
Capital leases	86,238	-	86,238
Termination benefits	72,066	-	72,066
Net OPEB liability	11,323	-	11,323
	<u>7,247,430</u>	<u>14,627</u>	<u>7,262,057</u>
Net assets			
Invested in capital assets, net of related debt	1,058,064	68,324	1,126,388
Restricted for:			
Categorical funding	169,135	-	169,135
Management levy	3,337	-	3,337
Physical plant and equipment levy	314,325	-	314,325
Student activities	60,643	-	60,643
School infrastructure	488,239	-	488,239
Debt service	498,431	-	498,431
Unrestricted	2,424,028	52,272	2,476,300
	<u>5,016,202</u>	<u>120,596</u>	<u>5,136,798</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,355,199	116,738	625,634	-
Special	959,740	60,311	37,819	-
Other	767,385	110,227	94,709	-
	<u>4,082,324</u>	<u>287,276</u>	<u>758,162</u>	<u>-</u>
Support services:				
Student	183,475	-	-	-
Instructional staff	83,104	-	-	-
Administration	551,419	-	-	-
Operation and maintenance of plant	432,725	220	-	-
Transportation	510,686	621	332	-
	<u>1,761,409</u>	<u>841</u>	<u>332</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	252,389	-	-	62,159
Long-term debt interest	120,978	-	6,628	-
AEA flowthrough	212,382	-	212,382	-
Depreciation (unallocated)*	119,738	-	-	-
	<u>705,487</u>	<u>-</u>	<u>219,010</u>	<u>62,159</u>
Total governmental activities	6,549,220	288,117	977,504	62,159
Business type activities:				
Non-instructional programs:				
Food service operations	255,934	105,078	135,933	-
Total	<u>6,805,154</u>	<u>393,195</u>	<u>1,113,437</u>	<u>62,159</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				
Gain on sale of capital assets				
Other				
Total general revenues				

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
\$	\$	\$
(1,612,827)	-	(1,612,827)
(861,610)	-	(861,610)
(562,449)	-	(562,449)
<u>(3,036,886)</u>	<u>-</u>	<u>(3,036,886)</u>
(183,475)	-	(183,475)
(83,104)	-	(83,104)
(551,419)	-	(551,419)
(432,505)	-	(432,505)
(509,733)	-	(509,733)
<u>(1,760,236)</u>	<u>-</u>	<u>(1,760,236)</u>
(190,230)	-	(190,230)
(114,350)	-	(114,350)
-	-	-
(119,738)	-	(119,738)
<u>(424,318)</u>	<u>-</u>	<u>(424,318)</u>
(5,221,440)	-	(5,221,440)
-	(14,923)	(14,923)
<u>(5,221,440)</u>	<u>(14,923)</u>	<u>(5,236,363)</u>
2,579,852	-	2,579,852
210,969	-	210,969
279,961	-	279,961
431,232	-	431,232
2,314,654	-	2,314,654
10,394	-	10,394
87,645	-	87,645
11,421	-	11,421
<u>5,926,128</u>	<u>-</u>	<u>5,926,128</u>
704,688	(14,923)	689,765
<u>4,311,514</u>	<u>135,519</u>	<u>4,447,033</u>
<u>5,016,202</u>	<u>120,596</u>	<u>5,136,798</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	2,960,866	798,233	657,402	4,416,501
Receivables:				
Property tax:				
Delinquent	45,955	3,871	1,375	51,201
Succeeding year	1,867,966	214,561	199,999	2,282,526
Accounts	2,593	150	1,036	3,779
Due from other governments	392,592	127,028	-	519,620
Total assets	<u>5,269,972</u>	<u>1,143,843</u>	<u>859,812</u>	<u>7,273,627</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	358,198	38,739	553	397,490
Salaries and benefits payable	503,802	-	-	503,802
Deferred revenue:				
Succeeding year property tax	1,867,966	214,561	199,999	2,282,526
Income surtax	268,393	-	-	268,393
Other	1,069	-	-	1,069
Total liabilities	<u>2,999,428</u>	<u>253,300</u>	<u>200,552</u>	<u>3,453,280</u>
Fund balances:				
Restricted for:				
Categorical funding	169,135	-	-	169,135
Debt service	-	87,979	471,214	559,193
Management levy	-	-	127,403	127,403
Student activities	-	-	60,643	60,643
School infrastructure	-	488,239	-	488,239
Physical plant and equipment	-	314,325	-	314,325
Unassigned	2,101,409	-	-	2,101,409
Total fund balances	<u>2,270,544</u>	<u>890,543</u>	<u>659,260</u>	<u>3,820,347</u>
Total liabilities and fund balances	<u>5,269,972</u>	<u>1,143,843</u>	<u>859,812</u>	<u>7,273,627</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

	\$
Total fund balances of governmental funds (Exhibit C)	3,820,347
<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.	4,924,456
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	65,549
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	268,393
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.	(60,762)
Long-term liabilities, including bonds payable, notes payable, capital leases payable, termination benefits, and net other post employment benefits liability are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(4,001,781)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,016,202</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,792,774	642,201	74,955	3,509,930
Tuition	148,149	-	-	148,149
Other	42,596	53,672	127,311	223,579
State sources	2,978,132	132	47	2,978,311
Federal sources	304,294	9,916	-	314,210
Total revenues	<u>6,265,945</u>	<u>705,921</u>	<u>202,313</u>	<u>7,174,179</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,267,934	201,531	100,009	2,569,474
Special	959,740	-	-	959,740
Other	657,863	-	109,522	767,385
	<u>3,885,537</u>	<u>201,531</u>	<u>209,531</u>	<u>4,296,599</u>
Support services:				
Student	179,697	-	710	180,407
Instructional staff	70,287	12,561	256	83,104
Administration	487,780	39,236	27,147	554,163
Operation and maintenance of plant	381,892	7,456	51,755	441,103
Transportation	410,633	77,859	25,274	513,766
	<u>1,530,289</u>	<u>137,112</u>	<u>105,142</u>	<u>1,772,543</u>
Other expenditures:				
Facilities acquisition	-	520,278	-	520,278
Long-term debt:				
Principal	-	-	100,154	100,154
Interest and fiscal charges	-	-	114,142	114,142
AEA flowthrough	212,382	-	-	212,382
	<u>212,382</u>	<u>520,278</u>	<u>214,296</u>	<u>946,956</u>
Total expenditures	<u>5,628,208</u>	<u>858,921</u>	<u>528,969</u>	<u>7,016,098</u>
Excess (deficiency) of revenues over (under) expenditures	<u>637,737</u>	<u>(153,000)</u>	<u>(326,656)</u>	<u>158,081</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Proceeds form capital lease	-	186,546	-	186,546
Sales of equipment and real estate	2,898	97,750	-	100,648
Operating transfers in	-	-	392,650	392,650
Operating transfers out	-	(392,650)	-	(392,650)
Total other financing sources (uses)	<u>2,898</u>	<u>(108,354)</u>	<u>392,650</u>	<u>287,194</u>
Net change in fund balances	640,635	(261,354)	65,994	445,275
Fund balances beginning of year, as restated	<u>1,629,909</u>	<u>1,151,897</u>	<u>593,266</u>	<u>3,375,072</u>
Fund balances end of year	<u><u>2,270,544</u></u>	<u><u>890,543</u></u>	<u><u>659,260</u></u>	<u><u>3,820,347</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, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		445,275
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:		
Basis in capital assets sold	(13,003)	
Expenditures for capital assets	570,879	
Depreciation expense	<u>(273,897)</u>	283,979
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.		(7,916)
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.		100,154
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.		(6,836)
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	105,836	
Other postemployment benefits	<u>(11,323)</u>	94,513
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(186,546)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>704,688</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	53,581
Accounts receivable	46
Due from other governments	11,829
Inventories	1,443
Capital assets, net of accumulated depreciation	<u>68,324</u>
Total assets	<u>135,223</u>
Liabilities	
Accounts payable	10
Salaries and benefits payable	12,186
Deferred revenue	<u>2,431</u>
Total liabilities	<u>14,627</u>
Net assets	
Invested in capital assets	68,324
Unrestricted	<u>52,272</u>
Total net assets	<u><u>120,596</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>105,078</u>
Operating expenses:	
Salaries	96,986
Benefits	14,875
Purchased services	4,159
Supplies	128,645
Depreciation	9,526
Total operating expenses	<u>254,191</u>
Operating income (loss)	<u>(149,113)</u>
Non-operating revenues:	
State sources	2,300
Federal sources	133,633
Loss on disposal of equipment	(1,743)
Total non-operating revenues	<u>134,190</u>
Change in net assets	(14,923)
Net assets beginning of year	<u>135,519</u>
Net assets end of year	<u><u>120,596</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	104,782
Cash payments to employees for services	(110,517)
Cash payments to suppliers for goods or services	(119,184)
Net cash used by operating activities	<u>(124,919)</u>
Cash flows from non-capital financing activities:	
State grants received	2,300
Federal grants received	110,517
Net cash provided by non-capital financing activities	<u>112,817</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(12,102)
Cash and cash equivalents at beginning of year	<u>65,683</u>
Cash and cash equivalents at end of year	<u><u>53,581</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(149,113)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	11,287
Depreciation	9,526
Decrease (increase) in inventories	2,584
Decrease (increase) in accounts receivable	(33)
(Decrease) increase in accounts payable	(251)
(Decrease) increase in salaries and benefits payable	1,344
(Decrease) increase in deferred revenue	(263)
Net cash used by operating activities	<u><u>(124,919)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012 the District received \$11,287 of federal commodities.

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	26,225
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>26,225</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	14,375
Interest	419
Total additions	<u>14,794</u>
Deductions:	
Support services:	
Scholarships awarded	<u>3,847</u>
Change in net assets	10,947
Net assets beginning of year	<u>15,278</u>
Net assets end of year	<u><u>26,225</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the non-instructional programs function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 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, 2012, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
US Treasury Notes	459,756	July 2024

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$970,588 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Governmental, Debt Service Fund	Capital Projects Fund	392,650

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, 2012 was as follows:

	<u>Balance Beginning of Year, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	42,857	-	-	42,857
Construction in progress	1,714,659	143,543	1,780,452	77,750
	<u>1,757,516</u>	<u>143,543</u>	<u>1,780,452</u>	<u>120,607</u>
Capital assets being depreciated:				
Buildings	3,972,642	1,784,052	866,052	4,890,642
Improvements other than buildings	1,375,082	59,382	147,208	1,287,256
Furniture and equipment	1,702,745	364,354	123,007	1,944,092
Total capital assets being deprec.	<u>7,050,469</u>	<u>2,207,788</u>	<u>1,136,267</u>	<u>8,121,990</u>
Less accumulated depreciation for:				
Buildings	2,353,004	70,247	866,051	1,557,200
Improvements other than buildings	578,607	49,491	118,255	509,843
Furniture and equipment	1,235,897	154,159	138,958	1,251,098
Total accumulated depreciation	<u>4,167,508</u>	<u>273,897</u>	<u>1,123,264</u>	<u>3,318,141</u>
Total capital assets being depreciated, net	<u>2,882,961</u>	<u>1,933,891</u>	<u>13,003</u>	<u>4,803,849</u>
Governmental activities capital assets, net	<u>4,640,477</u>	<u>2,077,434</u>	<u>1,793,455</u>	<u>4,924,456</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	175,437	-	5,230	170,207
Less accumulated depreciation	95,844	9,526	3,487	101,883
Business type activities capital assets, net	<u>79,593</u>	<u>(9,526)</u>	<u>1,743</u>	<u>68,324</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	69,900
Support services:	
Student Support	3,068
Operation and maintenance of plant services	5,112
Transportation	76,079
	<u>154,159</u>
Unallocated depreciation	<u>119,738</u>
Total depreciation expense – governmental activities	<u><u>273,897</u></u>
Business type activities:	
Food services	<u><u>9,526</u></u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	3,330,000	-	-	3,330,000	-
Capital loan note	450,000	-	50,000	400,000	55,000
Capital lease	-	186,546	50,154	136,392	50,154
Termination benefits	229,902	-	105,836	124,066	52,000
Net OPEB liability	-	11,323	-	11,323	-
Total	<u>4,009,902</u>	<u>197,869</u>	<u>205,990</u>	<u>4,001,781</u>	<u>157,154</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, 2012, the District has obligations to eight participants with a total liability of \$124,066. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$105,836.

Revenue Bonds

Details of the District's June 30, 2012 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
	%	\$	\$	\$
2013	-	-	76,700	76,700
2014	-	-	76,700	76,700
2015	-	-	76,700	76,700
2016	-	-	76,700	76,700
2017	-	-	76,700	76,700
2018-2022	-	-	383,500	383,500
2023-2025	2.95	2,600,000	191,750	2,791,750
		<u>2,600,000</u>	<u>958,750</u>	<u>3,558,750</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 \$3,558,750. For the current year, no principal and \$76,700 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$431,232.

Year Ending June 30,	Bond Issue of August 2010			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	-	-	29,957	29,957
2014	-	-	29,957	29,957
2015	-	-	29,957	29,957
2016	-	-	29,957	29,957
2017	-	-	29,957	29,957
2018-2022	-	-	149,789	149,789
2023-2027	4.00-4.05	275,000	138,853	413,853
2028-2030	4.10-4.20	455,000	28,897	483,897
		<u>730,000</u>	<u>467,324</u>	<u>1,197,324</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 2030. 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 10% of the statewide sales, services and use tax revenues. The total principal and interest remaining

to be paid on the notes is \$1,197,324. For the current year, no principal and \$29,957 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
	%	\$	\$	\$
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>400,000</u>	<u>19,472</u>	<u>419,472</u>

During the year ended June 30, 2012 the District made principal and interest payments totaling \$57,163 under the note agreements.

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2012.

	Year Ending June 30,	Amount
		\$
	2013	50,154
	2014	50,154
	2015	50,154
Minimum lease payments		<u>150,462</u>
Less amount representing interest		<u>14,070</u>
Present value of minimum lease payments		<u>136,392</u>

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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$233,076, \$195,962 and \$204,679 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. 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	26,440
Interest on net OPEB obligation	(54)
Adjustment to annual required contribution	<u>(2,220)</u>
Annual OPEB cost	24,166
Contributions made	<u>12,843</u>
Increase in net OPEB obligation	11,323
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>11,323</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, 2012.

For the year ended June 30, 2012, the District contributed \$12,843 to the medical plan. Plan members eligible for benefits contributed \$36,682, 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, 2012 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%	-
2012	24,166	53%	11,323

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$191,950, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$191,950. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,111,000, and the ratio of the UAAL to covered payroll was 9.1%. As of June 30, 2012 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 \$212,382 for the year ended June 30, 2012 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 contracts totaling \$167,028 for classroom renovations and bleachers. As of June 30, 2012 costs of \$77,750 had been incurred against the contracts. The balance remaining at June 30, 2012 will be paid as work on the projects progresses.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
At-risk	15,135
Returning dropout and dropout prevention program	141,176
Teacher salary supplement	749
Beginning teacher mentoring	3,115
Core curriculum	5,415
Gifted and talented	3,545
	<u>169,135</u>

12. Restatement of Beginning Net Assets

Governmental Activities beginning net assets in the Statement of Activities were decreased by \$1,751,588 because the capital assets depreciation schedule included duplicate capital assets.

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, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,881,658	105,078	3,986,736	3,935,963	3,935,963	50,773
State sources	2,978,311	2,300	2,980,611	3,055,025	3,055,025	(74,414)
Federal sources	314,210	133,633	447,843	440,000	440,000	7,843
Total revenues	<u>7,174,179</u>	<u>241,011</u>	<u>7,415,190</u>	<u>7,430,988</u>	<u>7,430,988</u>	<u>(15,798)</u>
Expenditures/Expenses:						
Instruction	4,296,599	-	4,296,599	4,625,000	4,625,000	328,401
Support services	1,772,543	4,117	1,776,660	1,691,850	1,941,850	165,190
Non-instructional programs	-	251,817	251,817	225,000	250,000	(1,817)
Other expenditures	946,956	-	946,956	1,068,052	1,068,052	121,096
Total expenditures/expenses	<u>7,016,098</u>	<u>255,934</u>	<u>7,272,032</u>	<u>7,609,902</u>	<u>7,884,902</u>	<u>612,870</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	158,081	(14,923)	143,158	(178,914)	(453,914)	597,072
Other financing sources (uses) net	<u>287,194</u>	<u>-</u>	<u>287,194</u>	<u>7,500</u>	<u>7,500</u>	<u>279,694</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	445,275	(14,923)	430,352	(171,414)	(446,414)	876,766
Balance beginning of year	<u>3,375,072</u>	<u>135,519</u>	<u>3,510,591</u>	<u>1,909,458</u>	<u>1,909,458</u>	<u>1,601,133</u>
Balance end of year	<u><u>3,820,347</u></u>	<u><u>120,596</u></u>	<u><u>3,940,943</u></u>	<u><u>1,738,044</u></u>	<u><u>1,463,044</u></u>	<u><u>2,477,899</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$275,000.

During the year ended June 30, 2012, expenditures in the non-instructional programs function exceeded the amount 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%
2012	July 1, 2009	-	191,950	191,950	0.0%	2,111,000	9.1%

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.

SUPPLEMENTARY INFORMATION

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	Management Levy	Student Activity	Debt Service	Total
	\$	\$	\$	\$
Cash and pooled investments	126,028	60,160	471,214	657,402
Receivables:				
Property tax:				
Delinquent	1,375	-	-	1,375
Succeeding year	199,999	-	-	199,999
Accounts	-	1,036	-	1,036
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>327,402</u></u>	<u><u>61,196</u></u>	<u><u>471,214</u></u>	<u><u>859,812</u></u>
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	553	-	553
Deferred revenue:				
Succeeding year property tax	199,999	-	-	199,999
Total liabilities	<u>199,999</u>	<u>553</u>	<u>-</u>	<u>200,552</u>
Fund balances:				
Restricted for:				
Debt service	-	-	471,214	471,214
Management levy	127,403	-	-	127,403
Student activities	-	60,643	-	60,643
Total fund balances	<u>127,403</u>	<u>60,643</u>	<u>471,214</u>	<u>659,260</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>327,402</u></u>	<u><u>61,196</u></u>	<u><u>471,214</u></u>	<u><u>859,812</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Funds			Total
	Management Levy	Student Activity	Debt Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	74,955	-	-	74,955
Other	10,188	110,495	6,628	127,311
State sources	47	-	-	47
Total revenues	<u>85,190</u>	<u>110,495</u>	<u>6,628</u>	<u>202,313</u>
Expenditures:				
Current:				
Instruction:				
Regular	100,009	-	-	100,009
Other	-	109,522	-	109,522
Support services:				
Student	710	-	-	710
Instructional staff	256	-	-	256
Administration	27,147	-	-	27,147
Operation and maintenance of plant	51,755	-	-	51,755
Transportation	25,274	-	-	25,274
Other expenditures:				
Long-term debt:				
Principal	-	-	100,154	100,154
Interest and fiscal charges	-	-	114,142	114,142
Total expenditures	<u>205,151</u>	<u>109,522</u>	<u>214,296</u>	<u>528,969</u>
Excess (deficiency) of revenues over (under) expenditures	(119,961)	973	(207,668)	(326,656)
Other financing sources (uses):				
Operating transfers in	-	-	392,650	392,650
Net change in fund balance	(119,961)	973	184,982	65,994
Fund balances beginning of year	<u>247,364</u>	<u>59,670</u>	<u>286,232</u>	<u>593,266</u>
Fund balances end of year	<u><u>127,403</u></u>	<u><u>60,643</u></u>	<u><u>471,214</u></u>	<u><u>659,260</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Assets			
Cash and pooled investments	502,342	295,891	798,233
Receivables:			
Property tax:			
Delinquent	-	3,871	3,871
Succeeding year	-	214,561	214,561
Accounts	45	105	150
Due from other governments	110,612	16,416	127,028
Total assets	612,999	530,844	1,143,843
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	36,781	1,958	38,739
Deferred revenue:			
Succeeding year property tax	-	214,561	214,561
Total liabilities	36,781	216,519	253,300
Fund balances:			
Restricted for:			
Debt service	87,979	-	87,979
School infrastructure	488,239	-	488,239
Physical plant and equipment	-	314,325	314,325
Total fund balances	576,218	314,325	890,543
Total liabilities and fund balances	612,999	530,844	1,143,843

MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	431,232	210,969	642,201
Other	12,681	40,991	53,672
State sources	-	132	132
Federal sources	-	9,916	9,916
Total revenues	<u>443,913</u>	<u>262,008</u>	<u>705,921</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	201,531	201,531
Support services:			
Instructional staff services	-	12,561	12,561
Administration services	14,169	25,067	39,236
Operation and maintenance of plant	-	7,456	7,456
Transportation services	-	77,859	77,859
Other expenditures:			
Facilities acquisition	392,012	128,266	520,278
Total expenditures	<u>406,181</u>	<u>452,740</u>	<u>858,921</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,732</u>	<u>(190,732)</u>	<u>(153,000)</u>
Other financing sources (uses):			
Sale of real property	-	97,750	97,750
Proceeds from capital lease	-	186,546	186,546
Operating transfers out	(284,745)	(107,905)	(392,650)
Total other financing sources (uses)	<u>(284,745)</u>	<u>176,391</u>	<u>(108,354)</u>
Net change in fund balance	(247,013)	(14,341)	(261,354)
Fund balances beginning of year	<u>823,231</u>	<u>328,666</u>	<u>1,151,897</u>
Fund balance end of year	<u><u>576,218</u></u>	<u><u>314,325</u></u>	<u><u>890,543</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Band revolving	237	304	288	-	253
K-5 vocal music	272	-	-	-	272
Scoreboard account	112	-	61	-	51
Athletics	433	45,550	42,793	-	3,190
Yearbook	9,825	3,038	11,973	129	1,019
HS student council	160	6,170	6,685	355	-
N.H.S./fund balance	289	1,570	1,543	-	316
SES (Dance team)	280	-	-	-	280
Drama club	-	-	461	461	-
Cheerleaders	536	500	85	-	951
Ag. club	17,852	30,976	25,427	-	23,401
Tag fund raising	14	-	-	-	14
Foreign language club	2,386	151	586	-	1,951
Invent Iowa	317	-	-	-	317
MS student council	1,098	264	30	(355)	977
Savings interest	-	14	-	-	14
SAFE	50	-	-	-	50
FFA wildflower co-op	8,459	-	-	-	8,459
Tatu (Stand)	340	-	-	-	340
Band room fund raiser	545	-	98	-	447
OJ book fairs	1,088	-	-	-	1,088
Fine arts	2,513	1,515	1,496	(461)	2,071
Elementary (pop account)	2,041	1,758	1,740	-	2,059
Art fund	19	-	-	-	19
Art club	265	44	20	-	289
Boys basketball camp	92	-	-	-	92
Interest	-	254	125	(129)	-
High school incentives	2,080	556	1,839	-	797
Elementary book fair	252	1,901	1,806	-	347
Elementary fundraiser combined	4,325	1,260	451	-	5,134
Elementary box top	-	4,303	2,471	-	1,832
BELC donation fund combined	566	201	42	(110)	615
Elem. Assistance	-	-	110	110	-
Middle school incentives	1,124	-	-	-	1,124
Print cartridge fund	254	106	-	-	360
Kelly Block-Davidson memorial	251	-	-	-	251
Class of 2009	303	-	216	-	87
Class of 2010	652	-	171	-	481
Class of 2011	640	25	-	(25)	640
Class of 2012	-	955	1,838	25	(858)
Class of 2013	-	9,080	7,167	-	1,913
Totals	59,670	110,495	109,522	-	60,643

See accompanying independent auditor's report.

MIDLAND COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	3,509,930	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	148,149	213,034	156,044	136,663	155,580	164,339	107,249	103,064	125,238
Other	223,579	229,186	200,348	248,559	306,207	278,862	248,238	205,937	193,666
Intermediate sources	-	-	-	-	-	-	-	-	2,836
State sources	2,978,311	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	314,210	636,617	343,809	227,871	244,829	244,016	268,619	260,998	229,029
Total revenues	<u>7,174,179</u>	<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	2,569,474	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	959,740	888,180	873,610	1,047,891	1,019,536	866,378	842,127	892,618	1,056,081
Other	767,385	656,271	708,391	532,833	765,087	762,651	748,183	618,321	430,536
Support services:									
Student	180,407	166,347	128,501	131,945	304,769	285,577	291,357	264,784	245,736
Instructional staff	83,104	83,467	73,851	76,631	86,282	192,303	247,796	138,643	92,767
Administration	554,163	508,933	593,876	555,995	730,835	878,838	865,207	710,244	634,671
Operation and maintenance	441,103	636,566	504,299	524,515	570,287	623,125	633,546	554,315	503,425
Transportation	513,766	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	520,278	2,391,327	1,624,726	371,935	326,577	204,622	317,742	284,010	365,570
Long-term debt:									
Principal	100,154	50,000	-	-	-	-	-	-	-
Interest and other charges	114,142	96,847	-	-	-	-	-	-	-
AEA flowthrough	212,382	241,379	240,008	223,009	218,416	212,007	205,468	207,443	213,534
Total expenditures	<u>7,016,098</u>	<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.

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 13, 2013. 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

The management of Midland Community School District is responsible for establishing and maintaining effective 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 Responses, 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 I of the accompanying Schedule of Findings and Responses as items 12-I-A and 12-I-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 II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Midland Community School District and other parties to whom Midland Community School District may report, 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

March 13, 2013

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

12-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, 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.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

12-II-A Certified Budget: Expenditures for the year ended June 30, 2012, exceeded the certified budget amounts budgeted in the non-instructional programs function.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: We did amend our budget but year-end expenditures were more than anticipated.

Conclusion: Response accepted.

12-II-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.

12-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

12-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
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.

12-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

12-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

12-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2011, was understated by one student. A resident open enrolled out student that the District thought had moved, had not moved out of the district.

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

Recommendation: The District should review its procedures for determining the number of open enrolled out students.

District Response: We will review our procedures.

Conclusion: Response accepted.

12-II-H Supplementary Weighting: The supplementary weighting for college classes was over stated by .15. A psychology class should not have been counted.

Recommendation: The District should review its procedures for determining the college classes that qualify for supplemental weighting.

District Response: We will review our procedures.

Conclusion: Response accepted.

12-II-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.

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

12-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

12-II-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, 2012, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

Beginning balance	\$	\$
		823,231
Revenues/transfers in:		
Statewide sales, services and use tax revenue	431,232	
Other local revenues	12,681	443,913
	<u> </u>	
Expenditures/transfers out:		
School infrastructure construction	374,608	
Equipment	31,573	
Transfers to debt service fund	284,745	690,926
	<u> </u>	<u> </u>
Ending balance		<u>576,218</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.