

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012

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Mid-Prairie Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 Election)</b>		
James Hussey	President	2013
Jack Dillon	Vice President	2013
Randy Billups	Board Member	2011
Jeremy Pickard	Board Member	2011
Rob Stout	Board Member	2011
George Schaefer	Board Member	2011
Stacia Bontrager	Board Member	2013
<b>(After September 2011 Election)</b>		
Jack Dillon	President	2013
James Hussey	Vice President	2013
Randy Billups	Board Member	2015
Matt Frascht	Board Member	2015
Charles Freeman	Board Member	2015
George Schaefer	Board Member	2015
Stacia Bontrager	Board Member	2013
<b>School Officials</b>		
Mark Schneider	Superintendent	2012
Cindy Steege	District Secretary/ Treasurer	2012
Joseph Holland	Attorney	2012

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mid-Prairie Community School District, Wellman, 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 Mid-Prairie Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2013 on our consideration of Mid-Prairie Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 7

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through 15 and 42 through 44 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 Mid-Prairie Community School District's basic financial statements. Another auditor previously audited the financial statements for the three years ended June 30, 2011, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report and unqualified opinions were expressed on those financial statements. The financial statements for the two years ended June 30, 2008 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the component unit foundation and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The financial statements for the two years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.



NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Mid-Prairie Community School District provides the 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 \$14,056,884 in fiscal 2011 to \$13,613,589 in fiscal 2012, while General Fund expenditures increased from \$12,284,420 in fiscal 2011 to \$12,307,721 in fiscal 2012. The District's General Fund balance increased from \$2,791,846 in fiscal 2011 to a balance of \$4,097,714 in fiscal 2012, a 46.77% increase from the prior year.
- The decrease in General Fund revenues was attributable to decreases in state and federal sources in fiscal 2012. The increase in expenditures was due primarily to an increase in the support services functional area.

### **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 Mid-Prairie 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 Mid-Prairie 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 Mid-Prairie Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the 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.

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

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

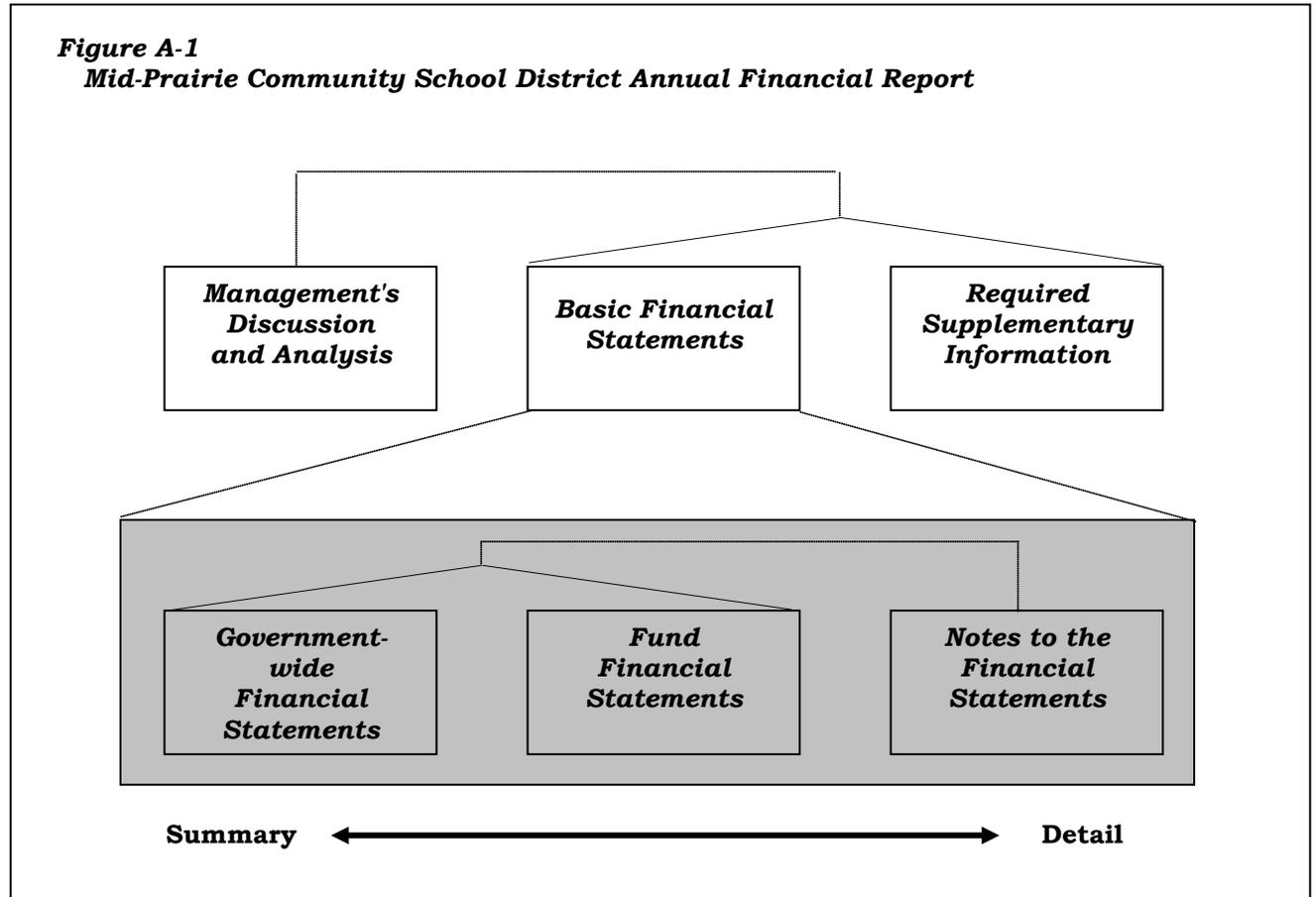


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or 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.

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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 the 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 the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 13,885,449	16,142,435	7,376	7,426	13,892,825	16,149,861	-13.98%
Capital assets	11,675,822	9,007,139	59,467	41,254	11,735,289	9,048,393	29.69%
Total assets	25,561,271	25,149,574	66,843	48,680	25,628,114	25,198,254	1.71%
Long-term obligations	7,140,989	7,842,300	3,840	39,793	7,144,829	7,882,093	-9.35%
Other liabilities	6,413,358	7,290,626	43,246	-	6,456,604	7,290,626	-11.44%
Total liabilities	13,554,347	15,132,926	47,086	39,793	13,601,433	15,172,719	-10.36%
Net assets:							
Invested in capital assets, net of related debt	4,745,822	3,854,693	59,467	41,254	4,805,289	3,895,947	23.34%
Restricted	3,106,285	3,701,287	-	-	3,106,285	3,701,287	-16.08%
Unrestricted	4,154,817	2,460,668	(39,710)	(32,367)	4,115,107	2,428,301	69.46%
Total net assets	\$ 12,006,924	10,016,648	19,757	8,887	12,026,681	10,025,535	19.96%

The District's combined net assets increased by 19.96%, or \$2,001,146, over the prior year. The largest portion of the District's net assets is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$595,002 or 16.08%, over the prior year. The decrease is primarily due to the decrease in the Capital Projects: Statewide Sales, Services, and Use Tax Fund.

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 \$1,686,806, or 69.46%. The increase was primarily due to the increase in the General Fund balance.

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

Figure A-4  
Changes of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 2,027,956	1,886,299	322,797	326,357	2,350,753	2,212,656	6.24%
Operating grants and contributions and restricted interest	1,547,075	2,416,996	217,044	210,451	1,764,119	2,627,447	-32.86%
Capital grants and contributions and restricted interest	88,588	108,222	25,767	5,408	114,355	113,630	0.64%
General revenues:							
Property tax	4,942,684	4,717,544	-	-	4,942,684	4,717,544	4.77%
Income surtax	544,934	574,409	-	-	544,934	574,409	-5.13%
Statewide sales, services and use tax	1,057,029	880,064	-	-	1,057,029	880,064	20.11%
Nonspecific program federal grants	258,512	-	-	-	258,512	-	100.00%
Unrestricted state grants	5,477,439	5,749,806	-	-	5,477,439	5,749,806	-4.74%
Unrestricted investment earnings	17,915	34,145	439	1,858	18,354	36,003	-49.02%
Other	200,611	125,677	-	-	200,611	125,677	59.62%
Total revenues	16,162,743	16,493,162	566,047	544,074	16,728,790	17,037,236	-1.81%
Program expenses:							
Governmental activities:							
Instruction	9,099,688	9,393,884	-	-	9,099,688	9,393,884	-3.13%
Support services	4,004,759	3,225,990	1,135	-	4,005,894	3,225,990	24.18%
Non-instructional programs	-	-	554,042	559,825	554,042	559,825	-1.03%
Other expenses	1,068,020	1,279,307	-	-	1,068,020	1,279,307	-16.52%
Total expenses	14,172,467	13,899,181	555,177	559,825	14,727,644	14,459,006	1.86%
Changes in net assets before special items	1,990,276	2,593,981	10,870	(15,751)	2,001,146	2,578,230	-22.38%
Special items							
Residual equity transfer	-	1,026	-	(1,026)	-	-	0.00%
Change in net assets	1,990,276	2,595,007	10,870	(16,777)	2,001,146	2,578,230	-22.38%
Beginning net assets	10,016,648	7,421,641	8,887	25,664	10,025,535	7,447,305	34.62%
Ending net assets	\$ 12,006,924	10,016,648	19,757	8,887	12,026,681	10,025,535	19.96%

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 74.38% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 95.37% of the revenue from business type activities.

The District's total revenues were approximately \$16.73 million of which approximately \$16.16 million was for governmental activities and approximately \$0.57 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 1.81% decrease in revenues and a 1.86% increase in expenses. The increase in expenses was primarily in the support services functions.

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## Governmental Activities

Revenues for governmental activities were \$16,162,743 and expenses were \$14,172,467.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 9,099,688	9,393,884	-3.13%	5,931,067	5,643,449	5.10%
Support services	4,004,759	3,225,990	24.14%	3,967,743	3,177,702	24.86%
Other expenses	1,068,020	1,279,307	-16.52%	610,038	666,513	-8.47%
Totals	<u>\$ 14,172,467</u>	<u>13,899,181</u>	<u>1.97%</u>	<u>10,508,848</u>	<u>9,487,664</u>	<u>10.76%</u>

- The cost financed by users of the District's programs was \$2,027,956.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,635,663.
- The net cost of governmental activities was financed with \$4,942,684 in property tax, \$544,934 in income surtax, \$1,057,029 in statewide sales, services and use tax, \$258,512 in nonspecific program federal grants, \$5,477,439 in unrestricted state grants, \$17,915 in interest income and \$200,611 in other general revenues.

## Business Type Activities

Revenues of the District's business type activity were \$566,047 and expenses were \$555,177. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Mid-Prairie 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 combined fund balances of \$6,913,536, below last year's ending fund balances of \$8,362,744. The primary reason for the decrease is associated with the decrease in the Capital Projects: Statewide Sales, Services and Use fund balance.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The fund balance increased from \$2,791,846 in fiscal 2011 to \$4,097,714 in fiscal 2012. General Fund revenues decreased, while the general fund expenditures increased. However District revenues were still greater than expenditures to increase the fund balance.
- The Capital Project Accounts balance decreased from \$5,009,354 in fiscal 2011 to \$2,532,921 in fiscal 2012. The decrease is primarily due to the decrease in fund balance in the Capital Projects: Statewide Sales, Services and Use Tax fund.

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## Proprietary Fund Highlights

The School Nutrition Fund's balance increased from \$8,887 in fiscal 2011 to \$19,757 in fiscal 2012. This represents an increase of 122.31% from 2011 to 2012.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$791,789 less than budgeted revenues, a variance of 4.52%. The most significant variance resulted from the District receiving more in local and federal sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$11,735,289 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 29.69% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$604,284.

The original cost of the District's capital assets was \$21,453,563. Governmental funds account for \$21,301,714 with the remainder of \$151,849 in the Proprietary, School Nutrition Fund and Heartland Baking School Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,761,678 at June 30, 2011 as compared to \$0 at June 30, 2012. The primary reason for the decrease was due to the completion of the District's geothermal renovation project.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 127,851	127,851	-	-	127,851	127,851	0.00%
Construction in progress	-	2,761,678	-	-	-	2,761,678	-100.00%
Buildings	10,599,859	5,302,049	-	-	10,599,859	5,302,049	99.92%
Land improvements	280,983	225,859	-	-	280,983	225,859	24.41%
Machinery and equipment	667,129	589,702	59,467	41,254	726,596	630,956	15.16%
Total	\$ 11,675,822	9,007,139	59,467	41,254	11,735,289	9,048,393	29.69%

### Long-Term Debt

At June 30, 2012, the District had \$7,144,829 in general obligation bonds payable, revenue bonds payable, and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$1,575,000 at June 30, 2012.

The District had total outstanding revenue bonds payable of \$5,355,000 at June 30, 2012.

The District had compensated absences payable of \$22,825 at June 30, 2012.

The District had a net OPEB payable of \$192,004 payable from the Special Revenue, Management Fund at June 30, 2012. Governmental activities account for \$188,164 and business type activities account for \$3,840.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business-type Activities		Total District		Total Change
							June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 1,575,000	1,935,000	-	-	1,575,000	1,935,000	-18.60%
Revenue bonds	5,355,000	5,545,000	-	-	5,355,000	5,545,000	-3.43%
Early retirement	-	209,300	-	-	-	209,300	-100.00%
Compensated absences	22,825	-	-	-	22,825	-	100.00%
Other post employment benefits	188,164	153,000	3,840	-	192,004	153,000	25.49%
Total	\$ 7,140,989	7,842,300	3,840	-	7,144,829	7,842,300	-8.89%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Open enrollment in net continues to increase bringing in additional revenue for the district.
- Decreased resident enrollment continues to be a factor that needs to be monitored.
- The District was notified by the Federal Government that FLAP grants will cease September 30, 2012, thus Mid-Prairie will no longer receive Federal funds to teach Spanish and Chinese at the elementary level.
- Share incentives paid by the State of Iowa to Mid-Prairie from sharing administrative positions will end with FY13.
- Allowable growth not keeping up with the increased cost of living.
- Federal stimulus funds were spent in full during FY12.

## 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 Cindy Steege, District Secretary/Business Manager, Mid-Prairie Community School District, 1635 Hwy 22 East PO Box 150, Wellman, IA 52356.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 7,430,151	406	7,430,557
Receivables:			
Property tax:			
Delinquent	41,860	-	41,860
Succeeding year	4,936,317	-	4,936,317
Income surtax	561,452	-	561,452
Accounts	150	-	150
Due from other governments	915,519	-	915,519
Inventories	-	6,970	6,970
Capital assets, net of accumulated depreciation	11,675,822	59,467	11,735,289
<b>TOTAL ASSETS</b>	<b>25,561,271</b>	<b>66,843</b>	<b>25,628,114</b>
<b>LIABILITIES</b>			
Accounts payable	218,471	-	218,471
Salaries and benefits payable	1,236,993	32,189	1,269,182
Accrued interest payable	2,897	-	2,897
Deferred revenue:			
Succeeding year property tax	4,936,317	-	4,936,317
Other	18,680	-	18,680
Unearned revenue	-	11,057	11,057
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	370,000	-	370,000
Revenue bonds payable	180,000	-	180,000
Compensated absences	22,825	-	22,825
Portion due after one year:			
General obligation bonds payable	1,205,000	-	1,205,000
Revenue bonds payable	5,175,000	-	5,175,000
Net OPEB liability	188,164	3,840	192,004
<b>TOTAL LIABILITIES</b>	<b>13,554,347</b>	<b>47,086</b>	<b>13,601,433</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,745,822	59,467	4,805,289
Restricted for:			
Categorical funding	290,463	-	290,463
Debt service	451,886	-	451,886
School infrastructure	1,975,647	-	1,975,647
Physical plant and equipment levy	115,274	-	115,274
Management levy purposes	195,740	-	195,740
Student activities	77,275	-	77,275
Unrestricted	4,154,817	(39,710)	4,115,107
<b>TOTAL NET ASSETS</b>	<b>\$ 12,006,924</b>	<b>19,757</b>	<b>12,026,681</b>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 5,435,297	1,189,297	181,015	-	(4,064,985)	-	(4,064,985)
Special	1,632,360	412,387	108,806	-	(1,111,167)	-	(1,111,167)
Other	2,032,031	416,842	771,686	88,588	(754,915)	-	(754,915)
	<u>9,099,688</u>	<u>2,018,526</u>	<u>1,061,507</u>	<u>88,588</u>	<u>(5,931,067)</u>	<u>-</u>	<u>(5,931,067)</u>
Support services:							
Student	195,601	-	-	-	(195,601)	-	(195,601)
Instructional staff	561,626	-	1,000	-	(560,626)	-	(560,626)
Administration	1,175,796	-	-	-	(1,175,796)	-	(1,175,796)
Operation and maintenance of plant	1,436,739	-	-	-	(1,436,739)	-	(1,436,739)
Transportation	634,997	9,430	26,586	-	(598,981)	-	(598,981)
	<u>4,004,759</u>	<u>9,430</u>	<u>27,586</u>	<u>-</u>	<u>(3,967,743)</u>	<u>-</u>	<u>(3,967,743)</u>
Long-term debt interest	215,960	-	-	-	(215,960)	-	(215,960)
Other expenses:							
AEA flowthrough	457,982	-	457,982	-	-	-	-
Depreciation (unallocated)*	394,078	-	-	-	(394,078)	-	(394,078)
	<u>852,060</u>	<u>-</u>	<u>457,982</u>	<u>-</u>	<u>(394,078)</u>	<u>-</u>	<u>(394,078)</u>
Total governmental activities	14,172,467	2,027,956	1,547,075	88,588	(10,508,848)	-	(10,508,848)
Business type activities:							
Non-instructional programs:							
Nutrition services	555,177	322,797	217,044	25,767	-	10,431	10,431
Total	\$ 14,727,644	2,350,753	1,764,119	114,355	(10,508,848)	10,431	(10,498,417)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 4,345,172	-		4,345,172
Debt service				365,615	-		365,615
Capital outlay				231,897	-		231,897
Income surtax				544,934	-		544,934
Statewide sales, services and use tax				1,057,029	-		1,057,029
Nonspecific program federal grants				258,512	-		258,512
Unrestricted state grants				5,477,439	-		5,477,439
Unrestricted investment earnings				17,915	439		18,354
Other				200,611	-		200,611
Total general revenues				<u>12,499,124</u>	<u>439</u>		<u>12,499,563</u>
Changes in net assets				1,990,276	10,870		2,001,146
Net assets beginning of year				10,016,648	8,887		10,025,535
Net assets end of year				<u>\$ 12,006,924</u>	<u>19,757</u>		<u>12,026,681</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 4,742,384	2,386,386	301,381	7,430,151
Receivables:				
Property tax				
Delinquent	36,720	1,929	3,211	41,860
Succeeding year	4,319,616	231,581	385,120	4,936,317
Income surtax	224,581	336,871	-	561,452
Accounts	150	-	-	150
Due from other governments	726,877	188,642	-	915,519
<b>TOTAL ASSETS</b>	<b>\$ 10,050,328</b>	<b>3,145,409</b>	<b>689,712</b>	<b>13,885,449</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 152,744	44,036	21,691	218,471
Salaries and benefits payable	1,236,993	-	-	1,236,993
Deferred revenue:				
Succeeding year property tax	4,319,616	231,581	385,120	4,936,317
Income surtax	224,581	336,871	-	561,452
Other	18,680	-	-	18,680
<b>Total liabilities</b>	<b>5,952,614</b>	<b>612,488</b>	<b>406,811</b>	<b>6,971,913</b>
Fund balances:				
Restricted for:				
Categorical funding	290,463	-	-	290,463
Debt service	-	442,000	9,886	451,886
School infrastructure	-	1,975,647	-	1,975,647
Physical plant and equipment levy	-	115,274	-	115,274
Management levy purposes	-	-	195,740	195,740
Student activities	-	-	77,275	77,275
Assigned	64,603	-	-	64,603
Unassigned:				
General	3,742,648	-	-	3,742,648
<b>Total fund balances</b>	<b>4,097,714</b>	<b>2,532,921</b>	<b>282,901</b>	<b>6,913,536</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,050,328</b>	<b>3,145,409</b>	<b>689,712</b>	<b>13,885,449</b>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

<b>Total fund balances of governmental funds(page 20)</b>	\$ 6,913,536
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	11,675,822
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	561,452
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.	(2,897)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, other post employment benefits payable and capital loan notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,140,989)</u>
<b>Net assets of governmental activities(page 18)</b>	<u><u>\$ 12,006,924</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 4,556,694	1,636,249	385,642	6,578,585
Tuition	1,418,826	-	-	1,418,826
Other	390,997	239,368	321,625	951,990
State sources	6,164,046	78	130	6,164,254
Federal sources	1,083,026	-	-	1,083,026
Total revenues	<u>13,613,589</u>	<u>1,875,695</u>	<u>707,397</u>	<u>16,196,681</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	5,505,654	68,138	50,315	5,624,107
Special	1,625,087	-	-	1,625,087
Other	1,712,392	-	312,362	2,024,754
	<u>8,843,133</u>	<u>68,138</u>	<u>362,677</u>	<u>9,273,948</u>
Support services:				
Student	193,760	-	1,141	194,901
Instructional staff	359,120	201,477	-	560,597
Administration	1,156,556	3,425	1,500	1,161,481
Operation and maintenance of plant	817,568	-	135,001	952,569
Transportation	479,602	210,794	19,213	709,609
	<u>3,006,606</u>	<u>415,696</u>	<u>156,855</u>	<u>3,579,157</u>
Capital outlay	-	3,465,414	-	3,465,414
Long-term debt:				
Principal	-	-	550,000	550,000
Interest and fiscal charges	-	-	319,388	319,388
	<u>-</u>	<u>-</u>	<u>869,388</u>	<u>869,388</u>
Other expenditures:				
AEA flowthrough	457,982	-	-	457,982
TOTAL EXPENDITURES	<u>12,307,721</u>	<u>3,949,248</u>	<u>1,388,920</u>	<u>17,645,889</u>
Excess(Deficiency) of revenues over(under) expenditures	1,305,868	(2,073,553)	(681,523)	(1,449,208)
Other financing sources(uses):				
Transfer in	-	-	402,880	402,880
Transfer out	-	(402,880)	-	(402,880)
Total other financing sources(uses)	<u>-</u>	<u>(402,880)</u>	<u>402,880</u>	<u>-</u>
Net change in fund balances	1,305,868	(2,476,433)	(278,643)	(1,449,208)
Fund balance beginning of year	<u>2,791,846</u>	<u>5,009,354</u>	<u>561,544</u>	<u>8,362,744</u>
Fund balance end of year	<u>\$ 4,097,714</u>	<u>2,532,921</u>	<u>282,901</u>	<u>6,913,536</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22) \$ (1,449,208)

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year, are as follows:

Expenditures for capital assets	\$ 3,265,413	
Depreciation expense	<u>(596,730)</u>	2,668,683

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 550,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 103,428

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (33,938)

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.

Early retirement	209,300	
Compensated absences	(22,825)	
Other postemployment benefits	<u>(35,164)</u>	<u>151,311</u>

**Changes in net assets of governmental activities(page 19) \$ 1,990,276**

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	<u>School Nutrition</u>
Assets	
Current assets:	
Cash and pooled investments	\$ 406
Inventories	6,970
Capital assets, net of accumulated depreciation	<u>59,467</u>
Total assets	<u>66,843</u>
Liabilities	
Salaries and benefits payable	32,189
Unearned revenue	11,057
Net OPEB liability	<u>3,840</u>
Total liabilities	<u>47,086</u>
Net assets	
Invested in capital assets	59,467
Unrestricted	<u>(39,710)</u>
Total net assets	<u>\$ 19,757</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 322,797
OPERATING EXPENSES:	
Current:	
Support services:	
Operation and maintenance of plant Services	1,135
Non-instructional programs:	
Food service operations:	
Salaries	170,113
Benefits	47,760
Services	83
Supplies	328,382
Depreciation	7,554
Other	150
	554,042
TOTAL OPERATING EXPENSES	555,177
OPERATING LOSS	(232,380)
NON-OPERATING REVENUES:	
State sources	5,036
Federal sources	212,008
Interest income	439
TOTAL NON-OPERATING REVENUES	217,483
Changes in net assets before other financing sources	(14,897)
OTHER FINANCING SOURCES:	
Capital contributions	25,767
Changes in net assets	10,870
Net assets beginning of year	8,887
Net assets end of year	\$ 19,757

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 325,423
Cash payments to employees for services	(212,751)
Cash payments to suppliers for goods or services	(310,357)
Net cash used in operating activities	(197,685)
Cash flows from non-capital financing activities:	
State grants received	5,036
Federal grants received	192,265
Net cash provided by non-capital financing activities	197,301
Cash flows from investing activities:	
Interest on investments	439
Net increase in cash and cash equivalents	55
Cash and cash equivalents at beginning of year	351
Cash and cash equivalents at end of year	\$ 406
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (232,380)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,743
Depreciation	7,554
Increase in inventories	(220)
Decrease in accounts receivable	325
Decrease in accounts payable	(130)
Increase in net other postemployment benefits	3,840
Increase in salary and benefits payable	1,282
Increase in unearned revenue	2,301
Net cash used in operating activities	\$ (197,685)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$19,743.

During the year ended June 30, 2012, the District received Contributed Capital from the Capital Projects: Physical Plant and Equipment Levy valued at \$25,767.

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) **Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Washington, Johnson, and Iowa County Assessors' 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 non-fiduciary 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 that are attributed to the acquisition, construction, or improvement of those assets.

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

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 that are 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 other 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, 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 also reports the following nonmajor proprietary funds which include the following:

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

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 judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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 nonoperating 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 nonoperating 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 Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current 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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangible assets	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-40 years
Land improvements	10 years
Machinery and equipment	4-12 years

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

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 receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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.

Assigned - Amounts the Board of Education intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or 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 no investments to be reported. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services and Use Tax	<u>\$ 402,880</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for the principal and interest payment for the District's general obligation bond and revenue bond indebtedness.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 127,851	-	-	127,851
Construction in progress	2,761,678	2,909,334	5,671,012	-
Total capital assets not being depreciated	<u>2,889,529</u>	<u>2,909,334</u>	<u>5,671,012</u>	<u>127,851</u>
Capital assets being depreciated:				
Buildings	12,478,970	5,671,012	-	18,149,982
Land improvements	551,822	76,000	-	627,822
Machinery and equipment	2,234,232	280,079	118,252	2,396,059
Total capital assets being depreciated	<u>15,265,024</u>	<u>6,027,091</u>	<u>118,252</u>	<u>21,173,863</u>
Less accumulated depreciation for:				
Buildings	7,176,921	373,202	-	7,550,123
Land improvements	325,963	20,876	-	346,839
Machinery and equipment	1,644,530	202,652	118,252	1,728,930
Total accumulated depreciation	<u>9,147,414</u>	<u>596,730</u>	<u>118,252</u>	<u>9,625,892</u>
Total capital assets being depreciated, net	<u>6,117,610</u>	<u>5,430,361</u>	<u>-</u>	<u>11,547,971</u>
Governmental activities capital assets, net	<u>\$ 9,007,139</u>	<u>8,339,695</u>	<u>5,671,012</u>	<u>11,675,822</u>
Business type activities:				
Machinery and equipment	\$ 126,082	25,767	-	151,849
Less accumulated depreciation	84,828	7,554	-	92,382
Business type activities capital assets, net	<u>\$ 41,254</u>	<u>18,213</u>	<u>-</u>	<u>59,467</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 68,311
Support services:		
Operation and maintenance of plant		7,937
Transportation		126,404
		<u>202,652</u>
Unallocated depreciation		<u>394,078</u>
		<u>596,730</u>
Total governmental activities depreciation expense		\$ 596,730
Business type activities:		
Food services		\$ 7,554
		<u>7,554</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,935,000	-	360,000	1,575,000	370,000
Revenue bonds	5,545,000	-	190,000	5,355,000	180,000
Early retirement	209,300	-	209,300	-	-
Compensated absences	-	22,825	-	22,825	22,825
Net OPEB liability	153,000	35,164	-	188,164	-
					<u>-</u>
Total	\$ 7,842,300	57,989	759,300	7,140,989	572,825
					<u>572,825</u>
Business type activities:					
Net OPEB liability	\$ -	3,840	-	3,840	-
					<u>-</u>

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 27, 2009			
	Interest Rates	Principal	Interest	Total
2013	1.80-2.00 %	\$ 370,000	33,095	403,095
2014	2.00-2.20	395,000	25,830	420,830
2015	2.20-2.40	410,000	17,165	427,165
2016	2.40-2.60	400,000	7,530	407,530
Total		\$ 1,575,000	83,620	1,658,620
				<u>1,658,620</u>

Revenue Bonds Payable

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 1, 2010			
	Interest Rates	Principal	Interest	Total
2013	2.00	% \$ 180,000	172,580	352,580
2014	2.00	220,000	168,980	388,980
2015	2.00	260,000	164,580	424,580
2016	2.00	265,000	159,380	424,380
2017	2.10	275,000	153,815	428,815
2018-2022	2.40-3.30	1,520,000	651,630	2,171,630
2023-2027	3.40-3.80	1,805,000	377,525	2,182,525
2028-2029	4.00	830,000	50,200	880,200
Total		<u>\$ 5,355,000</u>	<u>1,898,690</u>	<u>7,253,690</u>

The District has pledged future statewide sales, service and use tax revenues to repay the \$5,545,000 bond issued December 2010. The bonds were issued for the purpose of financing a portion of the costs of various improvements to the high school building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 33.4 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$7,253,690. For the current year, principal of \$190,000 was paid and interest of \$279,268 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,057,029.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$442,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited to the Project Fund.
- b) All proceeds from the statewide sales, service and use tax shall be placed in a Revenue Fund.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

## Early Retirement

The District offers a voluntary early retirement plan to its full-time licensed employees. Eligible employees must be at least fifty-five years of age and employees must have completed twenty years of total experience as a teacher and/or administrator, of which the last ten years must be served consecutively at Mid-Prairie Community School District. Employees must complete an application, which is required to be approved by the Board of Education. During the year ended June 30, 2012, the District paid \$42,075 of early retirement benefit payments. A liability has not been recorded in the Statement of Net Assets because it is included as an explicit subsidy to the OPEB liability.

### **(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 salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$619,459, \$524,717, and \$506,480 respectively, equal to the required contributions for each year.

### **(7) Other Postemployment Benefits**

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 162 active and 16 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. The District also offers health insurance benefits to eligible retirees. These benefits are calculated as an explicit subsidy to the 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	\$ 161,000
Interest on net OPEB obligation	6,885
Adjustment to annual required contribution	(5,881)
Annual OPEB cost	<u>162,004</u>
Contributions made	(123,000)
Increase in net OPEB obligation	<u>39,004</u>
Net OPEB obligation beginning of year	<u>153,000</u>
Net OPEB obligation end of year	<u><u>\$ 192,004</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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 \$123,000 to the medical plan. Plan members eligible for benefits contributed \$297,219, or 70.7% 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:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 161,000	63.4%	\$ 153,000
2012	162,004	75.9%	192,004

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,457,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,457,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,623,206, and the ratio of the UAAL to covered payroll was 19.1%. 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, 2010 actuarial valuation date, the projected unit credit method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2010.

Projected claim costs of the medical plan are \$668 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

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

**(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 \$457,982 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) Deficit Fund Balance/Net Assets**

At June 30, 2012, the Nutrition Fund had deficit unrestricted net assets of \$39,710.

**(11) Categorical Funding**

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

<u>Project</u>	<u>Amount</u>
Gifted and talented	\$ 37,267
Four-year-old preschool	113,705
Beginning teacher mentoring	2,252
Teacher salary supplement	66,904
Professional development for model core curriculum	70,335
Total categorical funding	<u>\$ 290,463</u>

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2012

	Governmental		Proprietary		Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type				Original	Final	
	Actual	Actual	Actual	Actual				
Revenues:								
Local sources	\$ 8,949,401	323,236	9,272,637	8,668,707	8,668,707	603,930		
State sources	6,164,254	5,036	6,169,290	7,535,043	7,535,043	(1,365,753)		
Federal sources	1,083,026	212,008	1,295,034	1,325,000	1,325,000	(29,966)		
Total revenues	16,196,681	540,280	16,736,961	17,528,750	17,528,750	(791,789)		
Expenditures/Expenses:								
Instruction	9,273,948	-	9,273,948	11,951,500	11,951,500	2,677,552		
Support services	3,579,157	1,135	3,580,292	4,613,000	4,613,000	1,032,708		
Non-instructional programs	-	554,042	554,042	595,000	595,000	40,958		
Other expenditures	4,792,784	-	4,792,784	6,828,072	6,828,072	2,035,288		
Total expenditures/expenses	17,645,889	555,177	18,201,066	23,987,572	23,987,572	5,786,506		
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,449,208)	(14,897)	(1,464,105)	(6,458,822)	(6,458,822)	4,994,717		
Other financing sources	-	25,767	25,767	-	-	25,767		
Excess of revenues over expenditures/ expenses and other financing uses	(1,449,208)	10,870	(1,438,338)	(6,458,822)	(6,458,822)	5,020,484		
Balance beginning of year	8,362,744	8,887	8,371,631	7,704,120	7,704,120	(667,511)		
Balance end of year	\$ 6,913,536	19,757	6,933,293	1,245,298	1,245,298	4,352,973		

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

MID-PRAIRIE 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 (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 1,571,000	1,571,000	0.00%	\$ 7,795,000	20.2%
2011	July 1, 2010	-	1,457,000	1,457,000	0.00%	7,738,000	18.8%
2012	July 2, 2010	-	1,457,000	1,457,000	0.00%	7,623,206	19.1%

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue				Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total	Debt Service	
ASSETS					
Cash and pooled investments	\$ 195,820	98,716	294,536	6,845	301,381
Receivables:					
Property tax:					
Delinquent	170	-	170	3,041	3,211
Succeeding year	20,000	-	20,000	365,120	385,120
<b>TOTAL ASSETS</b>	<b>\$ 215,990</b>	<b>98,716</b>	<b>314,706</b>	<b>375,006</b>	<b>689,712</b>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 250	21,441	21,691	-	21,691
Deferred revenue:					
Succeeding year property tax	20,000	-	20,000	365,120	385,120
Total liabilities	20,250	21,441	41,691	365,120	406,811
Fund balances:					
Restricted for:					
Debt service	-	-	-	9,886	9,886
Management levy purposes	195,740	-	195,740	-	195,740
Student activities	-	77,275	77,275	-	77,275
Total fund balances	195,740	77,275	273,015	9,886	282,901
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 215,990</b>	<b>98,716</b>	<b>314,706</b>	<b>375,006</b>	<b>689,712</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2012

	Special Revenue Funds				Total
	Management Levy	Student Activity	Total	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 20,027	-	20,027	365,615	385,642
Other	13,393	308,232	321,625	-	321,625
State sources	7	-	7	123	130
TOTAL REVENUES	33,427	308,232	341,659	365,738	707,397
EXPENDITURES:					
Current:					
Instruction:					
Regular	50,315	-	50,315	-	50,315
Other	-	312,362	312,362	-	312,362
Support services:					
Student	1,141	-	1,141	-	1,141
Administration	-	-	-	1,500	1,500
Operation and maintenance of plant	135,001	-	135,001	-	135,001
Transportation	19,213	-	19,213	-	19,213
Long-term debt:					
Principal	-	-	-	550,000	550,000
Interest and fiscal charges	-	-	-	319,388	319,388
TOTAL EXPENDITURES	205,670	312,362	518,032	870,888	1,388,920
Deficiency of revenues under expenditures	(172,243)	(4,130)	(176,373)	(505,150)	(681,523)
Other financing sources:					
Transfer in	-	-	-	402,880	402,880
Net change in fund balances	(172,243)	(4,130)	(176,373)	(102,270)	(278,643)
Fund balances beginning of year	367,983	81,405	449,388	112,156	561,544
Fund balances end of year	\$ 195,740	77,275	273,015	9,886	282,901

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 2,234,247	152,139	2,386,386
Receivables:			
Property tax:			
Delinquent	-	1,929	1,929
Succeeding year	-	231,581	231,581
Income surtax	-	336,871	336,871
Due from other governments	188,642	-	188,642
<b>TOTAL ASSETS</b>	<b>\$ 2,422,889</b>	<b>722,520</b>	<b>3,145,409</b>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,242	38,794	44,036
Deferred revenue:			
Succeeding year property tax	-	231,581	231,581
Income surtax	-	336,871	336,871
Total liabilities	5,242	607,246	612,488
Fund balances:			
Restricted for:			
Debt service	442,000	-	442,000
School infrastructure	1,975,647	-	1,975,647
Physical plant and equipment levy	-	115,274	115,274
Total fund balances	2,417,647	115,274	2,532,921
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,422,889</b>	<b>722,520</b>	<b>3,145,409</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,057,029	579,220	1,636,249
Other	150,781	88,587	239,368
State sources	-	78	78
TOTAL REVENUES	<u>1,207,810</u>	<u>667,885</u>	<u>1,875,695</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	68,138	68,138
Support services:			
Instructional staff	94,057	107,420	201,477
Administration	-	3,425	3,425
Transportation	-	210,794	210,794
Capital outlay	3,108,897	356,517	3,465,414
TOTAL EXPENDITURES	<u>3,202,954</u>	<u>746,294</u>	<u>3,949,248</u>
Deficiency of revenues under expenditures	(1,995,144)	(78,409)	(2,073,553)
Other financing uses:			
Transfer out	(402,880)	-	(402,880)
Net change in fund balances	(2,398,024)	(78,409)	(2,476,433)
Fund balance beginning of year	4,815,671	193,683	5,009,354
Fund balance end of year	<u>\$ 2,417,647</u>	<u>115,274</u>	<u>2,532,921</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama Workshop	\$ 5,374	13,341	14,923	-	3,792
Athletics (Donations)	13,948	38,000	4,415	(39,092)	8,441
Athletics	-	83,414	121,578	38,164	-
Annual	10,407	5,771	4,216	-	11,962
Fundraising	5,343	-	407	-	4,936
Class of 2010	197	-	-	-	197
Class of 2011	592	17	644	35	-
Class of 2012	3,673	2,575	4,829	-	1,419
Class of 2013	-	9,308	5,741	-	3,567
Renaissance	4,706	2,868	2,011	-	5,563
Post Prom	3,495	8,165	8,015	-	3,645
FFA	8,870	26,732	28,702	-	6,900
Librarians Club	190	-	-	-	190
Miscellaneous	4,555	2,659	4,001	1,519	4,732
Newspaper	93	-	-	-	93
Baseball Resale	1,554	3,564	5,563	445	-
Boys Basketball Resale	-	33,551	32,107	(1,444)	-
Girls Basketball Resale	608	18,024	18,124	-	508
Football Resale	2,642	19,880	21,285	-	1,237
Golf Resale	-	2,118	2,118	-	-
Boys Soccer Resale	298	2,525	1,300	-	1,523
Cross Country Resale	2,264	3,331	3,573	-	2,022
Track Resale	1,198	1,183	1,983	-	398
Volleyball Resale	1,933	14,294	10,948	-	5,279
Girls Soccer Resale	-	770	872	102	-
Softball Resale	-	-	271	271	-
Wrestling Resale	800	1,550	2,178	-	172
Soda Club	2,199	-	-	-	2,199
FCCLA (Seward)	1,463	6,820	7,443	-	840
High School Student Council	3,347	3,118	3,795	-	2,670
Wellness	1,656	-	-	-	1,656
Dance Team	-	2,600	1,320	-	1,280
Strength and Conditioning	-	2,054	-	-	2,054
<b>Total</b>	<b>\$ 81,405</b>	<b>308,232</b>	<b>312,362</b>	<b>-</b>	<b>77,275</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 6,578,585	6,157,516	5,639,516	5,557,275	5,137,844	4,860,705	4,456,303	4,024,532	3,929,740
Tuition	1,418,826	1,305,059	1,160,192	933,397	984,572	894,017	692,869	627,395	546,827
Other	951,990	822,275	730,304	708,506	696,022	674,764	559,225	521,031	531,873
State sources	6,164,254	6,468,081	5,502,857	6,172,626	5,989,551	5,458,305	5,108,904	4,849,058	4,489,314
Federal sources	1,083,026	1,714,934	1,205,901	936,591	858,672	627,300	452,753	484,722	524,831
Total	\$ 16,196,681	16,467,865	14,238,770	14,308,395	13,666,661	12,515,091	11,270,054	10,506,738	10,022,585
Expenditures:									
Instruction	\$ 5,624,107	4,942,744	5,072,003	5,552,286	6,048,171	5,408,692	5,112,989	4,788,002	4,732,575
Regular	1,625,087	1,609,597	1,502,352	1,488,236	1,469,061	1,427,956	1,379,195	1,081,657	886,662
Special	2,024,754	2,847,204	2,378,957	1,903,211	984,557	1,017,291	617,753	844,883	785,990
Other									
Support services:									
Student	194,901	174,402	176,092	206,367	233,047	205,463	228,264	217,976	201,391
Instructional staff	560,597	423,011	460,310	484,953	436,973	418,258	423,256	223,188	225,598
Administration	1,161,481	1,081,186	1,081,281	952,790	926,113	915,715	908,776	835,003	794,848
Operation and maintenance of plant	952,569	922,093	764,278	1,064,478	907,873	884,833	854,623	803,747	763,437
Transportation	709,609	537,870	749,436	653,787	492,551	595,379	450,232	513,750	465,224
Non-instructional programs	-	-	3,450	17,854	-	-	-	-	-
Capital outlay	3,465,414	3,353,819	1,374,745	524,834	544,243	506,305	297,159	420,974	330,601
Long-term debt:									
Principal	550,000	355,000	355,000	2,920,000	305,000	295,000	275,000	280,000	285,000
Interest and fiscal charges	319,388	158,009	53,355	156,505	127,792	137,428	146,391	154,436	161,166
Other expenditures:									
AEA flow-through	457,982	504,572	488,089	445,538	414,074	397,136	364,300	350,130	343,098
Total	\$ 17,645,889	16,909,507	14,459,348	16,370,839	12,889,455	12,209,456	11,057,938	10,513,746	9,975,590

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
RURAL EDUCATION (REAP)	84.358	FY 11	\$ 29,311
U.S. DEPARTMENT OF EDUCATION:			
FOREIGN LANGUAGE ASSISTANCE - CHINESE	84.293	FY 12	115,198
FOREIGN LANGUAGE ASSISTANCE - SPANISH	84.293	FY 12	116,122
			<u>231,320</u>
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 12	21,356
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	190,652 *
			<u>212,008</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 12	320,050
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS			
	84.186	FY 11	10,299
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 12	335
			<u>10,634</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 12	5,454
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 12	72,328
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 12	7,833
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	2,000
EDUCATION JOB FUNDS	84.410	FY 11	252,771
EDUCATION JOB FUNDS	84.410	FY 12	3,741
			<u>256,512</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	25,615
U.S. DEPARTMENT OF EDUCATION:			
GRANT WOOD AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 12	62,354
TOTAL			<u>\$ 1,235,419</u>

\* -Includes \$19,743 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

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 the  
Mid-Prairie Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mid-Prairie Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 19, 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 Mid-Prairie Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mid-Prairie Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Mid-Prairie Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mid-Prairie Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-B-12 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-12 to II-G-12 to be significant deficiencies.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2013

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

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

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

## Compliance

We have audited Mid-Prairie Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Mid-Prairie Community School District's major federal programs for the year ended June 30, 2012. Mid-Prairie Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mid-Prairie Community School District's management. Our responsibility is to express an opinion on Mid-Prairie Community School District's compliance based on our audit.

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

In our opinion, Mid-Prairie Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

The management of Mid-Prairie Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Mid-Prairie Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mid-Prairie Community School District's internal control over compliance.

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

A significant deficiency is deficiency, or combination of deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-B-12 to be a significant deficiency.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2013

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness and significant deficiency in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered:
    - CFDA Number 84.293 - Foreign Language Assistance - Chinese
    - CFDA Number 84.293 - Foreign Language Assistance - Spanish
  - Individual:
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
  - Individual
    - CFDA Number 84.410 - Education Job Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mid-Prairie Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - We will continue to look at ways we can create better practices in regards to segregation of duties.

Conclusion - Response accepted.

II-B-12 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to training on bank reconciliations.

Response - The District has made corrections to its accounting system.

Conclusion - Response accepted.

II-C-12 Gate Admissions - During our audit we noted that the District utilizes pre-numbered tickets for athletic events, but not for other performances.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including performances and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day.

District procedures should prohibit individuals from taking cash collections home.

- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We are now using tickets at all extra curricular activities in the district. We have created guidelines for cash handling and internal controls on gate admissions.

Conclusion - Response accepted.

II-D-12 Student Activity Fund-Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund, however they are not approved by the Board. We recommend that all fundraisers be approved by Board.

Recommendation - Districts should have policies and/or procedures in place to address fund-raising activity including:

- a. The Board or its designee should approve all District-sponsored fundraising activity.
- b. The Board may also adopt a policy to require Board approval of all fundraising activity including fundraising activities of affiliated organizations such as Booster Clubs and the PTO.
- c. Boards should establish procedures for fund-raising activity for District sponsored fund-raisers as well as fund-raisers sponsored by outside groups and organizations to help ensure consistency and accountability over fund-raising activities.
- d. The Board should determine the extent, if any, of administrative support to be provided for District-sponsored and affiliated organization fundraising activity including the cost and/or expense associated with staff time used in collecting payments; preparing, printing and/or assembling mailings; postage; etc.
- e. Fund-raising activity should be clearly designated as District-sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.
- f. If District-sponsored, the District should account for the fund-raising activity.

Response - We have added fundraising requests as a standard agenda item. All fundraising activities are to have prior board approval.

Conclusion - Response accepted.

II-E-12 Supporting Documentation - We noted instances of a check being written to vendors without an invoice or statement for supporting documentation.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response - We have educated staff that they must provide documentation in order to have bills or invoices paid by the district.

Conclusion - Response accepted.

II-F-12 Athletic Officials - We noted instances of an email being used as supporting documentation for payments to athletic officials.

Recommendation - The District should review their procedures in place for payments of athletic officials. We recommend using a copy of the official's contract as supporting documentation; however, in lieu of the actual contract, the District should have at least a request for payment voucher that the officials would sign off on.

Response - We are using contracts and or payment vouchers that are signed by officials as proof for payment.

Conclusion - Response accepted.

II-G-12 Employee Reimbursements - We noted numerous reimbursements to employees for Activity Fund purchases made without prior approval.

Recommendation - A better practice would be for the District to purchase items directly using the District's purchases process. Also, when the District makes reimbursements to employees they should not be reimbursing for the sales tax.

Response - We have educated our staff on proper steps for reimbursement.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.293: Foreign Language Assistance - Chinese  
CFDA Number 84.293: Foreign Language Assistance - Spanish  
Federal Award Year: 2012  
U.S. Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Federal Award Year: 2012  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 84.410 - Education Job Funds  
Federal Award Year: 2011 and 2012  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to look at ways we can create better practices in regards to segregation of duties.

Conclusion - Response accepted.

III-B-12 Title I - We noted during our audit that one teacher who was coded to Title I did not have the necessary reading certification on their teaching license. Since the teacher does not have the necessary certification we question the expenses in the amount of \$21,331.92.

Recommendation - The District should review their procedures to ensure that all teachers coded to Title I have the proper certifications on the teaching licenses. The District should also notify the Department of Education to amend the certified budget.

Response - All teachers are now properly endorsed to teach Title I. We will contact the DE to amend the certified budget.

Conclusion - Response accepted.

#### Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - District disbursements for the year ended June 30, 2012, did not exceed the amount budgeted.

IV-B-12 Questionable Disbursements - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund. The District also awarded gift cards to individual students for good behavior, attendance or as performance incentives. Giving cash or gift certificates/cards to students as incentives do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

The District should refrain from giving gift certificates/cards as prizes or awards.

Response - We are reviewing our activity fund purchases and providing training on proper use of public funds.

Conclusion - Response accepted.

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

IV-D-12 Business Transactions - No business transactions between the District and District officials or employees were noted.

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

IV-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-12 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was understated by 0.518 for the fall of 2011.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

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

IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	4,815,671
Revenues:			
Sales tax revenues	\$	1,057,029	
Other local revenues		150,781	1,207,810
Total Revenues			<u>6,023,481</u>
Expenditures/transfers out:			
School infrastructure construction	\$	2,888,854	
Land purchased		75,269	
Equipment		96,398	
Other		142,433	
Transfers to other funds:			
Debt Service Fund		<u>402,880</u>	<u>3,605,834</u>
Ending balance			<u>\$ 2,417,647</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.08436	\$ 402,880

IV-M-12 Financial Condition - At June 30, 2012, the Enterprise, School Nutrition Fund had an unrestricted net assets deficit balance of \$39,710.

Recommendation - The District should investigate alternatives to eliminate the deficit.

Response - We are continually looking at ways to eliminate the deficit in the Nutrition Fund.

Conclusion - Response accepted.

IV-N-12 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - We have reviewed all outstanding checks and have reissued checks to the vendors.

Conclusion - Response accepted.