

MIDLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

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Independent Auditor's Report

To the Board of Education of  
Midland Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Midland Community School District, Wyoming, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Midland Community School District as of June 30, 2013,

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

#### Other Matters

##### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Midland Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2014 on our consideration of Midland Community School District's internal control over financial reporting and on 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 and 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 in considering Midland Community School District's internal control over financial reporting and compliance.

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

April 30, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Midland Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,265,945 in fiscal 2012 to \$5,408,360 in fiscal 2013, while General Fund expenditures increased from \$5,628,208 in fiscal 2012 to \$6,036,071 in fiscal 2013. The District's General Fund balance decreased from \$2,270,544 in fiscal 2012 to \$1,644,441 in fiscal 2013.
- The fiscal year 2013 decrease in General Fund revenue was attributable to a decrease in property tax, federal grant revenue and a decrease in enrollment. The increase in expenditures was primarily to an increase in negotiated salaries and benefits and maintenance of staffing levels.

### 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 Position and a Statement of Activities. These provide information about the activities of Midland Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

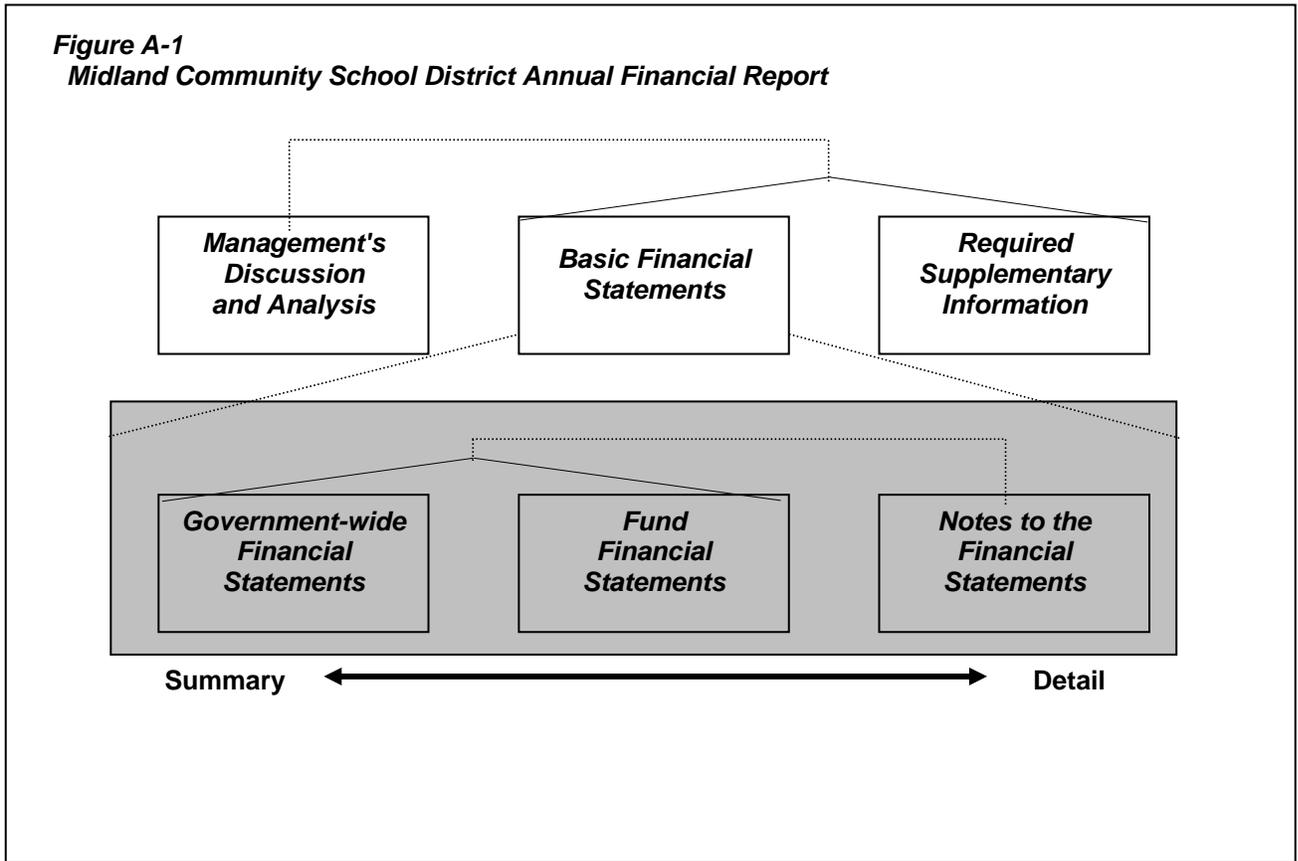


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2012-2013
	Governmental Activities		Business-type Activities		Total School District		
	2013	2012	2013	2012	2013	2012	
	\$	\$	\$	\$	\$	\$	
Current and other assets	6,634,634	7,339,176	53,364	66,899	6,687,998	7,406,075	-10%
Capital assets	5,024,122	4,924,456	64,574	68,324	5,088,696	4,992,780	2%
<b>Total assets</b>	<b>11,658,756</b>	<b>12,263,632</b>	<b>117,938</b>	<b>135,223</b>	<b>11,776,694</b>	<b>12,398,855</b>	<b>-5%</b>
Long-term liabilities	4,146,220	4,001,781	-	-	4,146,220	4,001,781	4%
Other liabilities	3,268,603	3,245,649	13,867	14,627	3,282,470	3,260,276	1%
<b>Total liabilities</b>	<b>7,414,823</b>	<b>7,247,430</b>	<b>13,867</b>	<b>14,627</b>	<b>7,428,690</b>	<b>7,262,057</b>	<b>2%</b>
Net Position:							
Net investment in capital assets	1,255,963	1,058,064	64,574	68,324	1,320,537	1,126,388	17%
Restricted	1,258,721	1,534,110	-	-	1,258,721	1,534,110	-18%
Unrestricted	1,729,249	2,424,028	39,497	52,272	1,768,746	2,476,300	-29%
<b>TOTAL NET POSITION</b>	<b>4,243,933</b>	<b>5,016,202</b>	<b>104,071</b>	<b>120,596</b>	<b>4,348,004</b>	<b>5,136,798</b>	<b>-15%</b>

The District's combined net position decreased 15%, or \$788,794, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$275,389 or 18% from the prior year.

Unrestricted net position – 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 – decreased \$707,554, or 29%. This decrease in unrestricted net position was primarily a result of a decrease in the General Fund balance and an increase in expenditures.

Figure A-4 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4

	Change in Net Position						Percentage Change 2012-2013
	Governmental Activities		Business-type Activities		Total School District		
	2013	2012	2013	2012	2013	2012	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	325,084	288,117	105,892	105,078	430,976	393,195	10%
Operating grants & contributions	977,467	977,504	141,550	135,933	1,119,017	1,113,437	1%
Capital grants & contributions	-	62,159	-	-	-	62,159	-100%
General Revenues:							
Property taxes	2,281,354	2,790,821	-	-	2,281,354	2,790,821	-18%
Income Surtax	286,111	279,961	-	-	286,111	279,961	2%
Statewide sales & service tax	435,805	431,232	-	-	435,805	431,232	1%
Unrestricted state grants	2,061,391	2,314,654	-	-	2,061,391	2,314,654	-11%
Unrestricted investment earnings	4,818	10,394	-	-	4,818	10,394	-54%
Gain on sale of capital assets	-	87,645	-	-	-	87,645	-100%
Other revenue	10,693	11,421	-	-	10,693	11,421	-6%
<b>Total Revenues</b>	<b>6,382,723</b>	<b>7,253,908</b>	<b>247,442</b>	<b>241,011</b>	<b>6,630,165</b>	<b>7,494,919</b>	<b>-12%</b>
Expenses:							
Instruction	4,557,538	4,082,324	-	-	4,557,538	4,082,324	12%
Support services	1,977,940	1,761,409	-	-	1,977,940	1,761,409	12%
Non-instructional programs	2,976	-	263,967	255,934	266,943	255,934	4%
Other expenditures	582,037	705,487	-	-	582,037	705,487	-17%
<b>Total expenses</b>	<b>7,120,491</b>	<b>6,549,220</b>	<b>263,967</b>	<b>255,934</b>	<b>7,384,458</b>	<b>6,805,154</b>	<b>9%</b>
<b>Change in net position before</b>							
<b>Loss on disposal assets</b>	<b>(737,768)</b>	<b>704,688</b>	<b>(16,525)</b>	<b>(14,923)</b>	<b>(754,293)</b>	<b>689,765</b>	<b>-209%</b>
Loss on disposal assets	(34,501)	-	-	-	(34,501)	-	-100%
<b>Change in net position</b>	<b>(772,269)</b>	<b>704,688</b>	<b>(16,525)</b>	<b>(14,923)</b>	<b>(788,794)</b>	<b>689,765</b>	<b>-214%</b>
Net position beginning of year	5,016,202	4,311,514	120,596	135,519	5,136,798	4,447,033	16%
Net position end of year	4,243,933	5,016,202	104,071	120,596	4,348,004	5,136,798	-15%

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$6,382,723 and expenses were \$7,120,491.

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

Figure A-5

**Total and Net Cost of Governmental Activities**

	<b>Total Cost of Services 2013 \$</b>	<b>Total Cost of Services 2012 \$</b>	<b>Net Cost of Services 2013 \$</b>	<b>Net Cost of Services 2012 \$</b>
Instruction	4,557,538	4,082,324	3,493,679	3,036,886
Support Services	1,977,940	1,761,409	1,976,398	1,760,236
Non-Instructional	2,976	-	2,976	-
Other Expenses	582,037	705,487	344,887	424,318
<b>TOTAL</b>	<b>7,120,491</b>	<b>6,549,220</b>	<b>5,817,940</b>	<b>5,221,440</b>

- The cost financed by users of the District’s programs was \$325,084.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$977,467.
- The net cost of governmental activities was financed with \$3,003,270 in property and other taxes and \$2,061,391 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$247,442 and expenses were \$263,967. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,096,192, below last year’s ending fund balances of \$3,820,347.

**Governmental Fund Highlights**

- The District’s General Fund financial position is the result of many factors.
- The General Fund balance decreased from \$2,270,544 to \$1,644,441 due to an increase in negotiated salaries and benefits, reduced revenues, and increased expenditures. The district is reducing its solvency ratio to fall within the acceptable ranges of the Iowa Association of School Boards between 5%-10%.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are

tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.

- The Sales Tax account balance decreased by \$67,941 due to general infrastructure repair and maintenance. The District ended fiscal 2013 with a balance of \$508,277. Fiscal 2012 ended with a balance of \$576,218.
- The Physical Plant and Equipment Levy account balance decreased from \$314,325 at June 30, 2012 to \$84,225 at June 30, 2013.

### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$120,596 at June 30, 2012 to \$104,071 at June 30, 2013. A large portion of the decrease was due to an increase in operating costs.

### **BUDGETARY HIGHLIGHTS**

Total District revenues were \$15,207 more than budgeted receipts.

Total expenditures were \$572,730 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

During the year, the District adopted one budget amendment increasing budgeted expenditures by \$47,396.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2013, the District had invested \$4,088,697, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6). More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$300,929.

The largest change in capital asset activity during the year occurred in the buildings category and improvements. The District completed several projects including asphaltting the parking lot at both the Wyoming and Oxford Junction sites, installing new entry doors, new lighting system in the gymnasium, new ceiling and lighting in the cafeteria and boiler repairs and maintenance. Equipment and furniture decreased due to disposal of assets.

**Figure A-6**

**Capital Assets (net of depreciation)**

	Governmental		Business type		Total		Percentage Change 2012-2013
	Activities		Activities		School District		
	2013	2012	2013	2012	2013	2012	
	\$	\$	\$	\$	\$	\$	
Land	42,857	42,857	-	-	42,857	42,857	0%
Construction in progress	33,549	77,750	-	-	33,549	77,750	-57%
Buildings	3,509,800	3,333,442	-	-	3,509,800	3,333,442	5%
Improvements	833,586	777,413	-	-	833,586	777,413	7%
Equipment & Furniture	604,330	692,994	64,575	68,324	668,905	761,318	-12%
<b>TOTAL</b>	<b>5,024,122</b>	<b>4,924,456</b>	<b>64,575</b>	<b>68,324</b>	<b>5,088,697</b>	<b>4,992,780</b>	<b>2%</b>

**Long-Term Debt**

At June 30, 2013, the District had \$4,146,220 in revenue bonds, capital loan notes and other long-term debt outstanding. This represents a decrease from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

As of June 30, 2013 the District had revenue bonds payable of \$3,330,000, capital loan notes payable of \$345,000, and capital leases payable of \$93,159. These loans are to be paid with Statewide Sales & Services Tax revenues and Special Revenue, Physical Plant and Equipment Levy Fund.

The District had early retirement benefits of \$300,777 payable from the Special Revenue, Management Levy Fund.

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

	Total School District		Percentage Change 2012-2013
	2013	2012	
	\$	\$	
Revenue bonds	3,330,000	3,330,000	0%
Capital loan notes	345,000	400,000	-14%
Capital lease	93,159	136,392	-32%
Termination benefits	300,777	124,066	142%
Net OPEB liability	77,284	11,323	583%
	<b>4,146,220</b>	<b>4,001,781</b>	<b>4%</b>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The District's total valuation has shown a steady increase over the past 3 years
- Transportation needs are addressed and a new bus has been purchased in Fiscal Year 2014 at a cost of about \$80,000. Vehicles used for special education transportation are starting to be replaced on a rotating basis. The school bus will come out of Physical Plant & Equipment Levy Fund and/or Statewide Sales and Services Tax and the other vehicles will be paid for by Special Education dollars.
- Enrollment for the District is quite uncertain. We tend to have a number of transient students, those that enroll and then midyear move out of the district.
- Negotiated contracts have been settled at a rate higher than allowable growth. Adjustments made to the staff are made to address this situation.
- The District is continuing to manage the cash reserve to be able to absorb shortfalls by the State.
- Additional steps to increase revenue were taken by continuing participation in Iowa School Joint Investment Trust program.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

## MIDLAND COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash, cash equivalents and pooled investments	3,787,966	51,076	3,839,042
Receivables:			
Property tax:			
Delinquent	38,021	-	38,021
Succeeding year	2,210,241	-	2,210,241
Accounts	949	20	969
Due from other governments	535,185	-	535,185
Inventories	-	2,268	2,268
Bond issue costs	62,272	-	62,272
Capital assets, net of accumulated depreciation	5,024,122	64,574	5,088,696
	<u>11,658,756</u>	<u>117,938</u>	<u>11,776,694</u>
<b>Liabilities</b>			
Accounts payable	467,044	224	467,268
Salaries and benefits payable	533,167	10,482	543,649
Accrued interest payable	58,151	-	58,151
Deferred revenue:			
Succeeding year property tax	2,210,241	-	2,210,241
Other	-	3,161	3,161
Long-term liabilities:			
Portion due within one year:			
Notes payable	95,000	-	95,000
Capital leases	45,427	-	45,427
Termination benefits	155,221	-	155,221
Portion due after one year:			
Revenue bonds payable	3,330,000	-	3,330,000
Notes payable	250,000	-	250,000
Capital leases	47,732	-	47,732
Termination benefits	145,556	-	145,556
Net OPEB liability	77,284	-	77,284
	<u>7,414,823</u>	<u>13,867</u>	<u>7,428,690</u>
<b>Net position</b>			
Net investment in capital assets	1,255,963	64,574	1,320,537
Restricted for:			
Categorical funding	87,370	-	87,370
Physical plant and equipment levy	84,225	-	84,225
Student activities	58,366	-	58,366
School infrastructure	435,277	-	435,277
Debt service	593,483	-	593,483
Unrestricted	1,729,249	39,497	1,768,746
	<u>4,243,933</u>	<u>104,071</u>	<u>4,348,004</u>

See notes to financial statements.

MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2013

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,627,777	183,524	559,496	-
Special	1,133,576	46,622	93,317	-
Other	796,185	89,576	91,324	-
	<u>4,557,538</u>	<u>319,722</u>	<u>744,137</u>	<u>-</u>
Support services:				
Student	170,360	-	-	-
Instructional staff	141,827	-	-	-
Administration	694,370	-	-	-
Operation and maintenance of plant	431,607	100	-	-
Transportation	539,776	1,442	-	-
	<u>1,977,940</u>	<u>1,542</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>2,976</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	109,367	3,820	6,457	-
Long-term debt interest	123,531	-	15,862	-
AEA flowthrough	211,011	-	211,011	-
Depreciation (unallocated)*	138,128	-	-	-
	<u>582,037</u>	<u>3,820</u>	<u>233,330</u>	<u>-</u>
Total governmental activities	<u>7,120,491</u>	<u>325,084</u>	<u>977,467</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>263,967</u>	<u>105,892</u>	<u>141,550</u>	<u>-</u>
Total	<u>7,384,458</u>	<u>430,976</u>	<u>1,119,017</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Loss on disposal assets				
Total general revenues after loss on disposal of assets				
<b>Change in net position</b>				
Net position beginning of year				
Net position end of year				

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,884,757)	-	(1,884,757)
(993,637)	-	(993,637)
(615,285)	-	(615,285)
<u>(3,493,679)</u>	<u>-</u>	<u>(3,493,679)</u>
(170,360)	-	(170,360)
(141,827)	-	(141,827)
(694,370)	-	(694,370)
(431,507)	-	(431,507)
(538,334)	-	(538,334)
<u>(1,976,398)</u>	<u>-</u>	<u>(1,976,398)</u>
<u>(2,976)</u>	<u>-</u>	<u>(2,976)</u>
(99,090)	-	(99,090)
(107,669)	-	(107,669)
-	-	-
<u>(138,128)</u>	<u>-</u>	<u>(138,128)</u>
<u>(344,887)</u>	<u>-</u>	<u>(344,887)</u>
(5,817,940)	-	(5,817,940)
<u>-</u>	<u>(16,525)</u>	<u>(16,525)</u>
<u>(5,817,940)</u>	<u>(16,525)</u>	<u>(5,834,465)</u>
2,066,873	-	2,066,873
214,481	-	214,481
286,111	-	286,111
435,805	-	435,805
2,061,391	-	2,061,391
4,818	-	4,818
10,693	-	10,693
<u>5,080,172</u>	<u>-</u>	<u>5,080,172</u>
<u>(34,501)</u>	<u>-</u>	<u>(34,501)</u>
<u>5,045,671</u>	<u>-</u>	<u>5,045,671</u>
(772,269)	(16,525)	(788,794)
<u>5,016,202</u>	<u>120,596</u>	<u>5,136,798</u>
<u>4,243,933</u>	<u>104,071</u>	<u>4,348,004</u>

## MIDLAND COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Assets</b>				
Cash, cash equivalents and pooled investments	2,412,687	520,067	855,212	3,787,966
Receivables:				
Property tax:				
Delinquent	31,116	3,574	3,331	38,021
Succeeding year	1,808,927	176,314	225,000	2,210,241
Accounts	49	-	900	949
Due from other governments	410,627	124,558	-	535,185
	<u>4,663,406</u>	<u>824,513</u>	<u>1,084,443</u>	<u>6,572,362</u>
<b>Total assets</b>				
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	411,153	55,697	194	467,044
Salaries and benefits payable	533,167	-	-	533,167
Deferred revenue:				
Succeeding year property tax	1,808,927	176,314	225,000	2,210,241
Income surtax	265,718	-	-	265,718
Total liabilities	<u>3,018,965</u>	<u>232,011</u>	<u>225,194</u>	<u>3,476,170</u>
Fund balances:				
Restricted for:				
Categorical funding	87,370	-	-	87,370
Debt service	-	73,000	651,634	724,634
Management levy	-	-	149,249	149,249
Student activities	-	-	58,366	58,366
School infrastructure	-	435,277	-	435,277
Physical plant and equipment	-	84,225	-	84,225
Unassigned	1,557,071	-	-	1,557,071
Total fund balances	<u>1,644,441</u>	<u>592,502</u>	<u>859,249</u>	<u>3,096,192</u>
	<u>4,663,406</u>	<u>824,513</u>	<u>1,084,443</u>	<u>6,572,362</u>
<b>Total liabilities and fund balances</b>				

## MIDLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	3,096,192
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,024,122
Bond issue costs are reported as an asset in the statement of net position and are amortized over the life of the bonds.	62,272
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	265,718
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.	(58,151)
Long-term liabilities, including bonds payable, notes payable, capital leases payable, termination benefits, and net other post employment benefits liability are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(4,146,220)</u>
<b>Net position of governmental activities (Exhibit A)</b>	<u><u>4,243,933</u></u>

## MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,155,735	650,286	199,924	3,005,945
Tuition	175,015	-	-	175,015
Other	61,268	9,221	109,345	179,834
State sources	2,762,105	102	95	2,762,302
Federal sources	254,237	6,457	-	260,694
Total revenues	<u>5,408,360</u>	<u>666,066</u>	<u>309,364</u>	<u>6,383,790</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,298,975	4,815	65,396	2,369,186
Special	1,125,564	-	-	1,125,564
Other	696,166	-	92,007	788,173
	<u>4,120,705</u>	<u>4,815</u>	<u>157,403</u>	<u>4,282,923</u>
Support services:				
Student	162,226	-	-	162,226
Instructional staff	108,273	30,883	-	139,156
Administration	594,615	10,294	72,694	677,603
Operation and maintenance of plant	392,001	-	29,353	421,354
Transportation	447,240	76,063	11,507	534,810
	<u>1,704,355</u>	<u>117,240</u>	<u>113,554</u>	<u>1,935,149</u>
Non-instructional programs	-	-	2,976	2,976
Other expenditures:				
Facilities acquisition	-	456,396	-	456,396
Long-term debt:				
Principal	-	-	98,233	98,233
Interest and fiscal charges	-	-	122,865	122,865
AEA flowthrough	211,011	-	-	211,011
	<u>211,011</u>	<u>456,396</u>	<u>221,098</u>	<u>888,505</u>
Total expenditures	<u>6,036,071</u>	<u>578,451</u>	<u>495,031</u>	<u>7,109,553</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(627,711)</u>	<u>87,615</u>	<u>(185,667)</u>	<u>(725,763)</u>

## MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
Other financing sources (uses):				
Sales of equipment and real estate	1,608	-	-	1,608
Operating transfers in	-	-	385,656	385,656
Operating transfers out	-	(385,656)	-	(385,656)
Total other financing sources (uses)	<u>1,608</u>	<u>(385,656)</u>	<u>385,656</u>	<u>1,608</u>
Change in fund balances	(626,103)	(298,041)	199,989	(724,155)
Fund balances beginning of year	<u>2,270,544</u>	<u>890,543</u>	<u>659,260</u>	<u>3,820,347</u>
Fund balances end of year	<u><u>1,644,441</u></u>	<u><u>592,502</u></u>	<u><u>859,249</u></u>	<u><u>3,096,192</u></u>

## MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(724,155)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, basis in capital assets sold, and depreciation expense in the current year are as follows:		
Basis in capital assets sold	(34,501)	
Expenditures for capital assets	424,928	
Depreciation expense	<u>(290,761)</u>	99,666
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(2,675)
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		(3,277)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		98,233
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.		2,611
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(176,711)	
Other postemployment benefits	<u>(65,961)</u>	<u>(242,672)</u>
<b>Changes in net position of governmental activities (Exhibit B)</b>		<u><u>(772,269)</u></u>

## MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Position  
Proprietary Funds

June 30, 2013

Nonmajor School Nutrition
<u>          </u>
\$

**Assets**

## Current assets:

Cash and cash equivalents	51,076
Accounts receivable	20
Inventories	<u>2,268</u>
Total current assets	53,364

## Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>64,574</u>
---	---------------

**Total assets**

<u>117,938</u>
----------------

**Liabilities**

## Current liabilities:

Accounts payable	224
Salaries and benefits payable	10,482
Deferred revenue	<u>3,161</u>

**Total liabilities**

<u>13,867</u>
---------------

**Net position**

Investment in capital assets	64,574
Unrestricted	<u>39,497</u>

**Total net position**

<u><u>104,071</u></u>
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## MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>105,892</u>
Operating expenses:	
Non-instructional programs:	
Salaries	95,349
Benefits	16,141
Purchased services	5,993
Supplies	136,315
Depreciation	10,169
Total operating expenses	<u>263,967</u>
Operating income (loss)	<u>(158,075)</u>
Non-operating revenues:	
State sources	2,380
Federal sources	139,170
Total non-operating revenues	<u>141,550</u>
Change in net position	(16,525)
Net position beginning of year	<u>120,596</u>
Net position end of year	<u><u>104,071</u></u>

## MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2013

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	106,648
Cash payments to employees for services	(113,194)
Cash payments to suppliers for goods or services	(135,089)
Net cash used by operating activities	<u>(141,635)</u>
Cash flows from non-capital financing activities:	
State grants received	2,380
Federal grants received	143,169
Net cash provided by non-capital financing activities	<u>145,549</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(6,419)</u>
Cash flows from investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,505)
Cash and cash equivalents at beginning of year	<u>53,581</u>
Cash and cash equivalents at end of year	<u><u>51,076</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(158,075)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	7,830
Depreciation	10,169
Decrease (increase) in inventories	(825)
Decrease (increase) in accounts receivable	26
(Decrease) increase in accounts payable	214
(Decrease) increase in salaries and benefits payable	(1,704)
(Decrease) increase in deferred revenue	730
Net cash used by operating activities	<u><u>(141,635)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2013 the District received \$7,830 of federal commodities.

During the year ended June 30, 2013 the School Nutrition Fund received \$6,419 of equipment that was purchased by other funds.

## MIDLAND COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2013

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	30,022
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Reserved for scholarships	<u><u>30,022</u></u>

MIDLAND COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust Scholarship <u>          </u> \$
Additions:	
Local sources:	
Gifts and contributions	8,174
Interest	<u>          9</u>
Total additions	8,183
 Deductions:	
Support services:	
Scholarships awarded	<u>4,386</u>
 Change in net position	 3,797
 Net position beginning of year	 <u>26,225</u>
 Net position end of year	 <u><u>30,022</u></u>

# MIDLAND COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

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

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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

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

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

#### C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position 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.

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next

fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amount budgeted.

## 2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
US Treasury Notes	646,804	July 2024

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,002,259 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

### 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Governmental, Debt Service Fund	Capital Projects Fund	385,656

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

### 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance Beginning of Year, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	42,857	-	-	42,857
Construction in progress	77,750	33,549	77,750	33,549
	<u>120,607</u>	<u>33,549</u>	<u>77,750</u>	<u>76,406</u>
Capital assets being depreciated:				
Buildings	4,890,642	256,214	-	5,146,856
Improvements other than buildings	1,287,256	135,016	26,371	1,395,901
Furniture and equipment	1,944,092	77,899	216,450	1,805,541
Total capital assets being deprec.	<u>8,121,990</u>	<u>469,129</u>	<u>242,821</u>	<u>8,348,298</u>
Less accumulated depreciation for:				
Buildings	1,557,200	79,856	-	1,637,056
Improvements other than buildings	509,843	58,272	5,800	562,315
Furniture and equipment	1,251,098	152,633	202,520	1,201,211
Total accumulated depreciation	<u>3,318,141</u>	<u>290,761</u>	<u>208,320</u>	<u>3,400,582</u>
Total capital assets being depreciated, net	<u>4,803,849</u>	<u>178,368</u>	<u>34,501</u>	<u>4,947,716</u>
Governmental activities capital assets, net	<u>4,924,456</u>	<u>211,917</u>	<u>112,251</u>	<u>5,024,122</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	170,207	6,419	2,327	174,299
Less accumulated depreciation	<u>101,883</u>	<u>10,168</u>	<u>2,327</u>	<u>109,724</u>
Business type activities capital assets, net	<u>68,324</u>	<u>(3,749)</u>	<u>-</u>	<u>64,575</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	50,638
Support services:	
Student support	5,463
Administration	8,755
Operation and maintenance of plant services	4,912
Transportation	<u>82,865</u>
	152,633
Unallocated depreciation	<u>138,128</u>
Total depreciation expense – governmental activities	<u>290,761</u>
Business type activities:	
Food services	<u>10,168</u>

## 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	3,330,000	-	-	3,330,000	-
Capital loan note	400,000	-	55,000	345,000	95,000
Capital lease	136,392	-	43,233	93,159	45,427
Termination benefits	124,066	257,949	81,238	300,777	155,221
Net OPEB liability	<u>11,323</u>	<u>65,961</u>	<u>-</u>	<u>77,284</u>	<u>-</u>
Total	<u>4,001,781</u>	<u>323,910</u>	<u>179,471</u>	<u>4,146,220</u>	<u>295,648</u>

### Termination Benefits

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

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

At June 30, 2013, the District has obligations to thirteen participants with a total liability of \$300,777. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$81,238.

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	-	-	76,700	76,700
2015	-	-	76,700	76,700
2016	-	-	76,700	76,700
2017	-	-	76,700	76,700
2018	-	-	76,700	76,700
2019-2023	-	-	383,500	383,500
2024-2025	2.95	2,600,000	115,050	2,715,050
		<u>2,600,000</u>	<u>882,050</u>	<u>3,482,050</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,600,000 of bonds issued in December 2009. The bonds were issued for the purpose of financing a portion of the costs of school construction. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2025. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Starting July 1, 2010; the District is required to set aside \$178,354 per year in a sinking fund to be used to pay the bonds at maturity. Annual sinking fund and interest payments on the bonds are expected to require nearly 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,482,050. For the current year, no principal and \$76,700 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$435,805.

Year Ending June 30,	Bond Issue of August 2010			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2014	-	-	29,957	29,957
2015	-	-	29,957	29,957
2016	-	-	29,957	29,957
2017	-	-	29,957	29,957
2018	-	-	29,957	29,957
2019-2023	-	-	149,789	149,789
2024-2028	4.00-4.10	420,000	124,812	544,812
2029-2030	4.15-4.20	310,000	12,981	322,981
		<u>730,000</u>	<u>437,367</u>	<u>1,167,367</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$730,000 bonds issued in August 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 10% of the statewide sales, services and use tax revenues. The total principal and interest remaining

to be paid on the notes is \$1,167,367. For the current year, no principal and \$29,957 of interest was paid on the bonds.

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

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

#### Capital Loan Notes

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

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2014	1.40	95,000	5,850	100,850
2015	1.70	115,000	4,520	119,520
2016	1.90	135,000	2,565	137,565
		<u>345,000</u>	<u>12,935</u>	<u>357,935</u>

During the year ended June 30, 2013 the District made principal and interest payments totaling \$61,537 under the note agreements.

#### Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2013.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		<u>\$</u>
	2014	50,154
	2015	50,154
Minimum lease payments		<u>100,308</u>
Less amount representing interest		<u>7,149</u>
Present value of minimum lease payments		<u><u>93,159</u></u>

## 6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$269,386, \$233,076 and \$195,962 respectively, equal to the required contributions for each year.

## 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 51 active and 12 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	139,861
Interest on net OPEB obligation	230
Adjustment to annual required contribution	(90)
Annual OPEB cost	<u>140,001</u>
Contributions made	<u>74,040</u>
Increase in net OPEB obligation	65,961
Net OPEB obligation beginning of year	<u>11,323</u>
Net OPEB obligation end of year	<u>77,284</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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, 2013.

For the year ended June 30, 2013, the District contributed \$74,040 to the medical plan. Plan members eligible for benefits contributed \$35,752, 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, 2013 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	24,948	100%	-
2011	22,775	100%	-
2012	24,166	53%	11,323
2013	140,001	47%	77,284

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$573,398, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$573,398. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,275,000, and the ratio of the UAAL to covered payroll was 25.2%. As of June 30, 2013 there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

The UAAL is being amortized over 30 years.

## **8. Risk Management**

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

**9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$211,011 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**10. Construction Commitment**

The District has entered into contracts totaling \$250,595 for floors, classroom renovations and bleachers. As of June 30, 2013 costs of \$211,144 had been incurred against the contracts. The balance remaining at June 30, 2013 will be paid as work on the projects progresses.

**11. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Home school assistance program	9,135
Returning dropout and dropout prevention program	77,659
Reading recovery	569
STEM	7
	<u>87,370</u>

REQUIRED SUPPLEMENTARY INFORMATION

MIDLAND COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,360,794	105,892	3,466,686	3,489,519	3,489,519	(22,833)
State sources	2,762,302	2,380	2,764,682	2,774,506	2,774,506	(9,824)
Federal sources	260,694	139,170	399,864	352,000	352,000	47,864
Total revenues	<u>6,383,790</u>	<u>247,442</u>	<u>6,631,232</u>	<u>6,616,025</u>	<u>6,616,025</u>	<u>15,207</u>
Expenditures/Expenses:						
Instruction	4,282,923	-	4,282,923	4,354,000	4,354,000	71,077
Support services	1,935,149	-	1,935,149	2,067,250	2,067,250	132,101
Non-instructional programs	2,976	263,967	266,943	250,000	275,000	8,057
Other expenditures	888,505	-	888,505	1,227,604	1,250,000	361,495
Total expenditures/expenses	<u>7,109,553</u>	<u>263,967</u>	<u>7,373,520</u>	<u>7,898,854</u>	<u>7,946,250</u>	<u>572,730</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(725,763)	(16,525)	(742,288)	(1,282,829)	(1,330,225)	587,937
Other financing sources (uses) net	<u>1,608</u>	<u>-</u>	<u>1,608</u>	<u>(38)</u>	<u>(38)</u>	<u>1,646</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(724,155)	(16,525)	(740,680)	(1,282,867)	(1,330,263)	589,583
Balance beginning of year	<u>3,820,347</u>	<u>120,596</u>	<u>3,940,943</u>	<u>3,283,606</u>	<u>3,283,606</u>	<u>657,337</u>
Balance end of year	<u>3,096,192</u>	<u>104,071</u>	<u>3,200,263</u>	<u>2,000,739</u>	<u>1,953,343</u>	<u>1,246,920</u>

MIDLAND COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$47,396.

During the year ended June 30, 2013, expenditures did not exceed the amended amounts budgeted.

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	248,255	248,255	0.0%	2,170,000	11.4%
2011	July 1, 2009	-	208,761	208,761	0.0%	2,039,000	10.2%
2012	July 1, 2009	-	191,950	191,950	0.0%	2,111,000	9.1%
2013	July 1, 2012	-	573,398	573,398	0.0%	2,275,000	25.2%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

## MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2013

<b>Assets</b>	Management Levy	Student Activity	Debt Service	Total
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	145,918	57,660	651,634	855,212
Receivables:				
Property tax:				
Delinquent	3,331	-	-	3,331
Succeeding year	225,000	-	-	225,000
Accounts	-	900	-	900
	<u>374,249</u>	<u>58,560</u>	<u>651,634</u>	<u>1,084,443</u>
<b>Total assets</b>				
	<u>374,249</u>	<u>58,560</u>	<u>651,634</u>	<u>1,084,443</u>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	194	-	194
Deferred revenue:				
Succeeding year property tax	225,000	-	-	225,000
Total liabilities	<u>225,000</u>	<u>194</u>	<u>-</u>	<u>225,194</u>
Fund balances:				
Restricted for:				
Debt service	-	-	651,634	651,634
Management levy	149,249	-	-	149,249
Student activities	-	58,366	-	58,366
Total fund balances	<u>149,249</u>	<u>58,366</u>	<u>651,634</u>	<u>859,249</u>
<b>Total liabilities and fund balances</b>	<u>374,249</u>	<u>58,560</u>	<u>651,634</u>	<u>1,084,443</u>

## MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	199,924	-	-	199,924
Other	3,753	89,730	15,862	109,345
State sources	95	-	-	95
Total revenues	<u>203,772</u>	<u>89,730</u>	<u>15,862</u>	<u>309,364</u>
Expenditures:				
Current:				
Instruction:				
Regular	65,396	-	-	65,396
Other	-	92,007	-	92,007
Support services:				
Administration	72,694	-	-	72,694
Operation and maintenance of plant	29,353	-	-	29,353
Transportation	11,507	-	-	11,507
Non-instructional programs	2,976	-	-	2,976
Other expenditures:				
Long-term debt:				
Principal	-	-	98,233	98,233
Interest and fiscal charges	-	-	122,865	122,865
Total expenditures	<u>181,926</u>	<u>92,007</u>	<u>221,098</u>	<u>495,031</u>
Excess (deficiency) of revenues over (under) expenditures	21,846	(2,277)	(205,236)	(185,667)
Other financing sources (uses):				
Operating transfers in	-	-	385,656	385,656
Change in fund balance	21,846	(2,277)	180,420	199,989
Fund balances beginning of year	<u>127,403</u>	<u>60,643</u>	<u>471,214</u>	<u>659,260</u>
Fund balances end of year	<u>149,249</u>	<u>58,366</u>	<u>651,634</u>	<u>859,249</u>

## MIDLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	Total \$
<b>Assets</b>			
Cash, cash equivalents and pooled investments	425,133	94,934	520,067
Receivables:			
Property tax:			
Delinquent	-	3,574	3,574
Succeeding year	-	176,314	176,314
Due from other governments	124,558	-	124,558
<b>Total assets</b>	<b>549,691</b>	<b>274,822</b>	<b>824,513</b>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	41,414	14,283	55,697
Deferred revenue:			
Succeeding year property tax	-	176,314	176,314
Total liabilities	41,414	190,597	232,011
Fund balances:			
Restricted for:			
Debt service	73,000	-	73,000
School infrastructure	435,277	-	435,277
Physical plant and equipment	-	84,225	84,225
Total fund balances	508,277	84,225	592,502
<b>Total liabilities and fund balances</b>	<b>549,691</b>	<b>274,822</b>	<b>824,513</b>

## MIDLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	435,805	214,481	650,286
Other	237	8,984	9,221
State sources	-	102	102
Federal sources	-	6,457	6,457
Total revenues	<u>436,042</u>	<u>230,024</u>	<u>666,066</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	4,815	-	4,815
Support services:			
Instructional staff services	-	30,883	30,883
Administration services	-	10,294	10,294
Transportation services	-	76,063	76,063
Other expenditures:			
Facilities acquisition	225,703	230,693	456,396
Total expenditures	<u>230,518</u>	<u>347,933</u>	<u>578,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>205,524</u>	<u>(117,909)</u>	<u>87,615</u>
Other financing sources (uses):			
Operating transfers out	<u>(273,465)</u>	<u>(112,191)</u>	<u>(385,656)</u>
Change in fund balance	(67,941)	(230,100)	(298,041)
Fund balances beginning of year	<u>576,218</u>	<u>314,325</u>	<u>890,543</u>
Fund balance end of year	<u><u>508,277</u></u>	<u><u>84,225</u></u>	<u><u>592,502</u></u>

## MIDLAND COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Band revolving	253	316	272	272	569
K-5 vocal music	272	-	-	(272)	-
Scoreboard account	51	-	-	(51)	-
Athletics	3,190	28,012	31,188	190	204
Yearbook	1,019	1,155	6,376	4,422	220
HS student council	-	5,227	6,019	792	-
N.H.S./fund balance	316	-	65	-	251
SES (Dance team)	280	-	-	-	280
Cheerleaders	951	600	688	-	863
Ag. club	23,401	36,774	31,263	4,037	32,949
Tag fund raising	14	-	-	-	14
Foreign language club	1,951	-	393	-	1,558
Invent Iowa	317	-	-	(317)	-
MS student council	977	389	-	-	1,366
Savings interest	14	-	-	-	14
SAFE	50	-	-	(50)	-
FFA wildflower co-op	8,459	-	-	(6,537)	1,922
Tatu (Stand)	340	600	554	-	386
Band room fund raiser	447	-	-	-	447
OJ book fairs	1,088	-	-	(1,087)	1
Fine arts	2,071	2,046	2,205	-	1,912
Elementary (pop account)	2,059	1,834	1,420	117	2,590
Art fund	19	58	-	(78)	(1)
Art club	289	85	153	78	299
Boys basketball camp	92	-	-	(92)	-
Interest	-	161	-	(47)	114
High school incentives	797	589	272	332	1,446
Elementary book fair	347	999	1,478	741	609
Elementary fundraiser combined	5,134	3,200	1,030	(117)	7,187
Elementary box top	1,832	1,251	1,175	(92)	1,816
BELC donation fund combined	615	100	120	-	595
Middle school incentives	1,124	-	-	(1,124)	-
Print cartridge fund	360	20	472	92	-
Kelly Block-Davidson memorial	251	-	-	-	251
Class of 2009	87	-	-	(86)	1
Class of 2010	481	-	-	(482)	(1)
Class of 2011	640	-	-	(641)	(1)
Class of 2012	(858)	-	-	-	(858)
Class of 2013	1,913	745	2,207	-	451
Class of 2014	-	5,569	4,657	-	912
Totals	60,643	89,730	92,007	-	58,366

## MIDLAND COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	3,005,945	3,509,930	3,570,141	3,497,091	3,385,477	3,346,942	3,352,829	3,142,356	3,284,634	3,351,863
Tuition	175,015	148,149	213,034	156,044	136,663	155,580	164,339	107,249	103,064	125,238
Other	179,834	223,579	229,186	200,348	248,559	306,207	278,862	248,238	205,937	193,666
Intermediate sources	-	-	-	-	-	-	-	-	-	2,836
State sources	2,762,302	2,978,311	2,813,507	2,490,223	3,034,292	2,935,668	2,659,188	2,730,699	2,818,011	2,759,844
Federal sources	260,694	314,210	636,617	343,809	227,871	244,829	244,016	268,619	260,998	229,029
Total revenues	<u>6,383,790</u>	<u>7,174,179</u>	<u>7,462,485</u>	<u>6,687,515</u>	<u>7,032,862</u>	<u>6,989,226</u>	<u>6,699,234</u>	<u>6,497,161</u>	<u>6,672,644</u>	<u>6,662,476</u>
Expenditures:										
Instruction:										
Regular	2,369,186	2,569,474	2,449,694	2,399,355	2,189,114	2,211,829	2,519,018	2,392,213	2,396,800	2,399,410
Special	1,125,564	959,740	888,180	873,610	1,047,891	1,019,536	866,378	842,127	892,618	1,056,081
Other	788,173	767,385	656,271	708,391	532,833	765,087	762,651	748,183	618,321	430,536
Support services:										
Student	162,226	180,407	166,347	128,501	131,945	304,769	285,577	291,357	264,784	245,736
Instructional staff	139,156	83,104	83,467	73,851	76,631	86,282	192,303	247,796	138,643	92,767
Administration	677,603	554,163	508,933	593,876	555,995	730,835	878,838	865,207	710,244	634,671
Operation and maintenance	421,354	441,103	636,566	504,299	524,515	570,287	623,125	633,546	554,315	503,425
Transportation	534,810	513,766	537,035	373,708	476,350	536,759	533,177	448,985	382,458	465,503
Non-instructional programs	2,976	-	-	-	-	5,550	-	-	-	-
Other expenditures:										
Facilities acquisition	456,396	520,278	2,391,327	1,624,726	371,935	326,577	204,622	317,742	284,010	365,570
Long-term debt:										
Principal	98,233	100,154	50,000	-	-	-	-	-	-	-
Interest and other charges	122,865	114,142	96,847	-	-	-	-	-	-	-
AEA flowthrough	211,011	212,382	241,379	240,008	223,009	218,416	212,007	205,468	207,443	213,534
Total expenditures	<u>7,109,553</u>	<u>7,016,098</u>	<u>8,706,046</u>	<u>7,520,325</u>	<u>6,130,218</u>	<u>6,775,927</u>	<u>7,077,696</u>	<u>6,992,624</u>	<u>6,449,636</u>	<u>6,407,233</u>

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

To the Board of Education of  
Midland Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Midland Community School District and of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Midland Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Midland Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Midland Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 13-I-A and 13-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midland Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Midland Community School District's Responses to Findings

Midland Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Midland Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

April 30, 2014

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- 13-II-A Certified Budget: Expenditures for the year ended June 30, 2013 did not exceed the certified budget amounts.
- 13-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 13-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 13-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

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

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

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

Conclusion: Response accepted.

- 13-II-E 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.
- 13-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 13-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 13-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 13-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 13-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

MIDLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

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

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

13-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2013, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning balance	\$	\$
		576,218
Revenues/transfers in:		
Statewide sales, services and use tax revenue	435,805	
Other local revenues	237	436,042
	<u>          </u>	
Expenditures/transfers out:		
School infrastructure construction	225,703	
Equipment	4,815	
Transfers to debt service fund	273,465	503,983
	<u>          </u>	<u>          </u>
Ending balance		<u>508,277</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.