

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

JUNE 30, 2013

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information - Budgetary Reporting		41
Schedule of Funding Progress for the Retiree Health Plan		42
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	45
Capital Project Accounts:		
Combining Balance Sheet	3	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	48
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	49
Schedule of Expenditures of Federal Awards	7	50
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 <u>Government Auditing Standards</u>		51-52
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		53-54
Schedule of Findings and Questioned Costs		55-61

Mid-Prairie Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jack Dillon	President	2013
James Hussey	Vice President	2013
Randy Billups	Board Member	2015
Matt Frascht	Board Member	2015
Charles Freeman	Board Member	2015
George Schaefer	Board Member	2015
Stacia Bontrager	Board Member	2013
School Officials		
Mark Schneider	Superintendent	2013
Cindy Steege	District Secretary/ Treasurer	2013
Joseph Holland	Attorney	2013

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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 Mid-Prairie Community School District, Wellman, 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 of 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 managements, 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 present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mid-Prairie Community School District at June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mid-Prairie Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for one year ended June 30, 2012 (which are not presented herein) while another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2008 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the component unit foundation and expressed unqualified opinions on the governmental activities, business-type activities, each major fund and the aggregate remaining fund information. The financial statements for the three years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 applies 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 March 11, 2014 on our consideration of Mid-Prairie Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Mid-Prairie Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$13,613,589 in fiscal 2012 to \$12,747,658 in fiscal 2013, while General Fund expenditures increased from \$12,307,721 in fiscal 2012 to \$13,405,523 in fiscal 2013. The District's General Fund balance decreased from \$4,097,714 in fiscal 2012 to a balance of \$3,439,849 in fiscal 2013, a 16.05% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local tax revenues and federal sources in fiscal 2013. The increase in expenditures was partly due to an increase in negotiated salaries and benefits paid to District employees and transportation costs.

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 Mid-Prairie Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

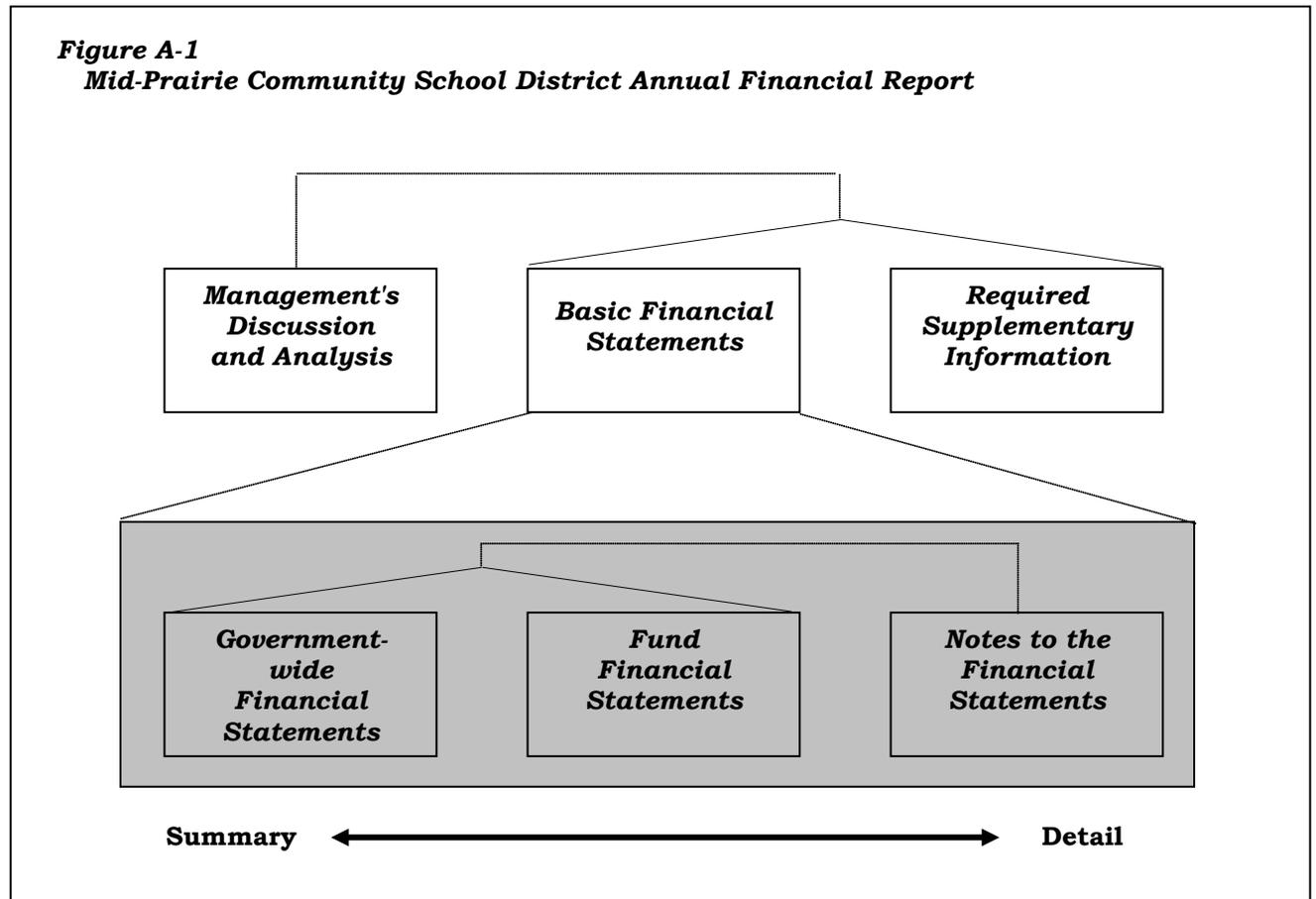


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 13,123,113	13,885,449	4,496	7,376	13,127,609	13,892,825	-5.51%
Capital assets	11,400,516	11,675,822	68,588	59,467	11,469,104	11,735,289	-2.27%
Total assets	24,523,629	25,561,271	73,084	66,843	24,596,713	25,628,114	-4.02%
Long-term obligations	6,681,240	7,140,989	5,328	3,840	6,686,568	7,144,829	-6.41%
Other liabilities	6,262,308	6,413,358	119,625	43,246	6,381,933	6,456,604	-1.16%
Total liabilities	12,943,548	13,554,347	124,953	47,086	13,068,501	13,601,433	-3.92%
Net position:							
Invested in capital assets, net of related debt	5,020,516	4,745,822	68,588	59,467	5,089,104	4,805,289	5.91%
Restricted	3,020,765	3,106,285	-	-	3,020,765	3,106,285	-2.75%
Unrestricted	3,538,800	4,154,817	(120,457)	(39,710)	3,418,343	4,115,107	-16.93%
Total net position	\$ 11,580,081	12,006,924	(51,869)	19,757	11,528,212	12,026,681	-4.14%

The District's combined net position decreased by 4.14%, or \$498,469, over the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net 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 \$85,520 or 2.75%, over the prior year. The decrease is primarily due to the decrease in the Capital Projects: Physical Plant and Equipment Levy Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$696,764, or 16.93%. The decrease was primarily due to the decrease in the General Fund balance.

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

Figure A-4
Changes of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2012-13
	2013	2012	2013	2012	2013	2012	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,950,334	2,027,956	317,079	322,797	2,267,413	2,350,753	-3.55%
Operating grants and contributions and restricted interest	1,626,465	1,547,075	232,638	217,044	1,859,103	1,764,119	5.38%
Capital grants and contributions and restricted interest	10,103	88,588	-	25,767	10,103	114,355	-91.17%
General revenues:							
Property tax	4,534,060	4,942,684	-	-	4,534,060	4,942,684	-8.27%
Income surtax	565,685	544,934	-	-	565,685	544,934	3.81%
Statewide sales, services and use tax	992,338	1,057,029	-	-	992,338	1,057,029	-6.12%
Nonspecific program federal grants	-	258,512	-	-	-	258,512	-100.00%
Unrestricted state grants	5,610,169	5,477,439	-	-	5,610,169	5,477,439	2.42%
Unrestricted investment earnings	16,967	17,915	166	439	17,133	18,354	-6.65%
Other	69,793	200,611	817	-	70,610	200,611	-64.80%
Transfers	(15,747)	-	15,747	-	-	-	0.00%
Total revenues and transfers	15,360,167	16,162,743	566,447	566,047	15,926,614	16,728,790	-4.80%
Program expenses:							
Governmental activities:							
Instruction	10,294,613	9,099,688	-	-	10,294,613	9,099,688	13.13%
Support services	4,425,710	4,004,759	-	1,135	4,425,710	4,005,894	10.48%
Non-instructional programs	-	-	638,073	554,042	638,073	554,042	15.17%
Other expenses	1,066,687	1,068,020	-	-	1,066,687	1,068,020	-0.12%
Total expenses	15,787,010	14,172,467	638,073	555,177	16,425,083	14,727,644	11.53%
Change in net position	(426,843)	1,990,276	(71,626)	10,870	(498,469)	2,001,146	-124.91%
Beginning net position	12,006,924	10,016,648	19,757	8,887	12,026,681	10,025,535	19.96%
Ending net position	\$ 11,580,081	12,006,924	(51,869)	19,757	11,528,212	12,026,681	-4.14%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 76.19% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97.05% of the revenue from business type activities.

The District's total revenues were approximately \$15.93 million of which approximately \$15.36 million was for governmental activities and approximately \$0.57 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 4.80% decrease in revenues and an 11.53% increase in expenses. The increase in expenses was partly due to an increase in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$15,360,167 and expenses were \$15,787,010.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 10,294,613	9,099,688	13.13%	7,329,508	5,931,067	23.58%
Support services	4,425,710	4,004,759	10.51%	4,261,709	3,967,743	7.41%
Other expenses	1,066,687	1,068,020	-0.12%	608,891	610,038	-0.19%
Totals	<u>\$ 15,787,010</u>	<u>14,172,467</u>	<u>11.39%</u>	<u>12,200,108</u>	<u>10,508,848</u>	<u>16.09%</u>

- The cost financed by users of the District's programs was \$1,950,334.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,636,568.
- The net cost of governmental activities was financed with \$4,534,060 in property tax, \$565,685 in income surtax, \$992,338 in statewide sales, services and use tax, \$5,610,169 in unrestricted state grants, \$16,967 in interest income and \$54,046 in other general revenues net of transfers.

Business Type Activities

Revenues of the District's business type activity were \$566,447 and expenses were \$638,073. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,329,001, below last year's ending fund balances of \$6,913,536. The primary reason for the decrease is associated with the decrease in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The fund balance decreased from \$4,097,714 in fiscal 2012 to \$3,439,849 in fiscal 2013. General Fund revenues decreased, while the general fund expenditures increased causing the District to use carryover fund balance to meet its financial obligations during the year.
- The Capital Project Accounts balance decreased from \$2,532,921 in fiscal 2012 to \$2,498,046 in fiscal 2013. The decrease is primarily due to the decrease in fund balance in the Capital Projects: Physical Plant and Equipment Levy.

Proprietary Fund Highlights

The School Nutrition Fund's balance decreased from \$19,757 in fiscal 2012 to a deficit balance of \$51,869 in fiscal 2013. This represents a decrease of 362.53% from 2012 to 2013.

BUDGETARY HIGHLIGHTS

The District's revenues were \$470,216 less than budgeted revenues, a variance of 2.86%. The most significant variance resulted from the District receiving more in local and federal sources than originally anticipated.

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

In spite of the Districts budgetary practice, the certified budget was exceeded in support services and non-instructional programs functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$11,469,104 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a decrease of 2.27% from the prior year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$766,422.

The original cost of the District's capital assets was \$21,776,570. Governmental funds account for \$21,615,774 with the remainder of \$160,796 in the Proprietary, School Nutrition.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$280,983 at June 30, 2012 as compared to \$315,301 at June 30, 2013. The primary reason for the increase in land improvements was the completion of the track resurfacing project.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		
	June 30,		June 30,		June 30,		Change
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 127,851	127,851	-	-	127,851	127,851	0.00%
Buildings	10,229,325	10,599,859	-	-	10,229,325	10,599,859	-3.50%
Land improvements	315,301	280,983	-	-	315,301	280,983	12.21%
Machinery and equipment	728,039	667,129	68,588	59,467	796,627	726,596	9.64%
Total	\$ 11,400,516	11,675,822	68,588	59,467	11,469,104	11,735,289	-2.27%

Long-Term Debt

At June 30, 2013, the District had \$6,686,568 in general obligation bonds payable, revenue bonds payable and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

- The District had total outstanding general obligation bonds payable of \$1,205,000 at June 30, 2013.
- The District had total outstanding revenue bonds payable of \$5,175,000 at June 30, 2013.
- The District had compensated absences payable of \$18,568 at June 30, 2013.
- The District had OPEB payable of \$288,000 at June 30, 2013. Governmental activities account for \$282,672 and business type activities account for \$5,328.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	June 30, 2012-13
General obligation bonds	\$ 1,205,000	1,575,000	-	-	1,205,000	1,575,000	-23.49%
Revenue bonds	5,175,000	5,355,000	-	-	5,175,000	5,355,000	-3.36%
Compensated absences	18,568	22,825	-	-	18,568	22,825	-18.65%
Other post employment benefits	282,672	188,164	5,328	3,840	288,000	192,004	50.00%
Total	\$ 6,681,240	7,140,989	5,328	3,840	6,686,568	7,144,829	-6.41%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District receives Operational Share Incentives from the State of Iowa for the sharing agreement with Keota Community School District. Funding and positions have changed several times in prior years and the duration of the sharing agreement will impact the District.
- The District has experienced an increase in resident students during the past two fiscal years. Future enrollment is unknown as enrollment trends are hard to predict.
- Open enrollment has continued to increase and provided the District with increased revenues and spending authority.
- Tax valuations of the District have increased over the past several years but uncertainty with agricultural farm land valuations could possible decline in the future.
- The State of Iowa is not setting supplemental state aid as prescribed by Iowa Code, this makes it challenging for the District to create an accurate budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Steege, District Secretary/Business Manager, Mid-Prairie Community School District, 1635 Hwy 22 East PO Box 150, Wellman, IA 52356.

BASIC FINANCIAL STATEMENTS

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 7,083,190	-	7,083,190
Receivables:			
Property tax:			
Delinquent	56,439	-	56,439
Succeeding year	4,594,703	-	4,594,703
Income surtax	534,115	-	534,115
Due from other funds	73,352	-	73,352
Due from other governments	781,314	-	781,314
Inventories	-	4,496	4,496
Capital assets, net of accumulated depreciation	11,400,516	68,588	11,469,104
TOTAL ASSETS	24,523,629	73,084	24,596,713
LIABILITIES			
Accounts payable	323,901	59	323,960
Due to other funds	-	73,352	73,352
Salaries and benefits payable	1,341,393	35,394	1,376,787
Accrued interest payable	2,311	-	2,311
Deferred revenue:			
Succeeding year property tax	4,594,703	-	4,594,703
Unearned revenue	-	10,820	10,820
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	395,000	-	395,000
Revenue bonds payable	220,000	-	220,000
Compensated absences payable	18,568	-	18,568
Portion due after one year:			
General obligation bonds payable	810,000	-	810,000
Revenue bonds payable	4,955,000	-	4,955,000
Net OPEB liability	282,672	5,328	288,000
TOTAL LIABILITIES	12,943,548	124,953	13,068,501
NET POSITION			
Invested in capital assets, net of related debt	5,020,516	68,588	5,089,104
Restricted for:			
Categorical funding	133,924	-	133,924
Debt service	451,368	-	451,368
School infrastructure	2,036,081	-	2,036,081
Physical plant and equipment levy	19,965	-	19,965
Management levy purposes	288,141	-	288,141
Student activities	91,286	-	91,286
Unrestricted	3,538,800	(120,457)	3,418,343
TOTAL NET POSITION	\$ 11,580,081	(51,869)	11,528,212

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,802,531	1,147,299	386,442	-	(5,268,790)	-	(5,268,790)
Special	1,702,943	288,706	71,334	-	(1,342,903)	-	(1,342,903)
Other	1,789,139	374,787	686,434	10,103	(717,815)	-	(717,815)
	<u>10,294,613</u>	<u>1,810,792</u>	<u>1,144,210</u>	<u>10,103</u>	<u>(7,329,508)</u>	<u>-</u>	<u>(7,329,508)</u>
Support services:							
Student	204,475	4,669	-	-	(199,806)	-	(199,806)
Instructional staff	550,232	-	-	-	(550,232)	-	(550,232)
Administration	1,374,539	83,294	-	-	(1,291,245)	-	(1,291,245)
Operation and maintenance of plant	1,579,002	46,410	-	-	(1,532,592)	-	(1,532,592)
Transportation	717,462	5,169	24,459	-	(687,834)	-	(687,834)
	<u>4,425,710</u>	<u>139,542</u>	<u>24,459</u>	<u>-</u>	<u>(4,261,709)</u>	<u>-</u>	<u>(4,261,709)</u>
Long-term debt interest	207,090	-	-	-	(207,090)	-	(207,090)
Other expenses:							
AEA flowthrough	457,796	-	457,796	-	-	-	-
Depreciation (unallocated)*	401,801	-	-	-	(401,801)	-	(401,801)
	<u>859,597</u>	<u>-</u>	<u>457,796</u>	<u>-</u>	<u>(401,801)</u>	<u>-</u>	<u>(401,801)</u>
Total governmental activities	15,787,010	1,950,334	1,626,465	10,103	(12,200,108)	-	(12,200,108)
Business type activities:							
Non-instructional programs:							
Nutrition services	638,073	317,079	232,638	-	-	(88,356)	(88,356)
Total	<u>\$ 16,425,083</u>	<u>2,267,413</u>	<u>1,859,103</u>	<u>10,103</u>	<u>(12,200,108)</u>	<u>(88,356)</u>	<u>(12,288,464)</u>
General Revenues & Transfers:							
Property tax levied for:							
General purposes				\$ 3,891,318	-		3,891,318
Debt service				405,388	-		405,388
Capital outlay				237,354	-		237,354
Income surtax				565,685	-		565,685
Statewide sales, services and use tax				992,338	-		992,338
Unrestricted state grants				5,610,169	-		5,610,169
Unrestricted investment earnings				16,967	166		17,133
Other				69,793	817		70,610
Transfers				(15,747)	15,747		-
Total general revenues & transfers				<u>11,773,265</u>	<u>16,730</u>		<u>11,789,995</u>
Change in net position				(426,843)	(71,626)		(498,469)
Net position beginning of year				12,006,924	19,757		12,026,681
Netposition end of year				<u>\$ 11,580,081</u>	<u>(51,869)</u>		<u>11,528,212</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 4,397,270	2,280,690	405,230	7,083,190
Receivables:				
Property tax				
Delinquent	43,800	2,900	9,739	56,439
Succeeding year	3,605,245	257,128	732,330	4,594,703
Income surtax	178,038	356,077	-	534,115
Due from other funds	-	73,352	-	73,352
Due from other governments	532,271	249,043	-	781,314
TOTAL ASSETS	\$ 8,756,624	3,219,190	1,147,299	13,123,113
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 192,099	107,939	23,863	323,901
Salaries and benefits payable	1,341,393	-	-	1,341,393
Deferred revenue:				
Succeeding year property tax	3,605,245	257,128	732,330	4,594,703
Income surtax	178,038	356,077	-	534,115
Total liabilities	5,316,775	721,144	756,193	6,794,112
Fund balances:				
Restricted for:				
Categorical funding	133,924	-	-	133,924
Debt service	-	442,000	11,679	453,679
School infrastructure	-	2,036,081	-	2,036,081
Physical plant and equipment levy	-	19,965	-	19,965
Management levy purposes	-	-	288,141	288,141
Student activities	-	-	91,286	91,286
Unassigned	3,305,925	-	-	3,305,925
Total fund balances	3,439,849	2,498,046	391,106	6,329,001
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,756,624	3,219,190	1,147,299	13,123,113

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	6,329,001
 <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 in the governmental funds.		11,400,516
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		534,115
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,311)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, other post employment benefits payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(6,681,240)
		(6,681,240)
Net position of governmental activities(page 18)	\$	11,580,081
		11,580,081

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,747,810	1,586,705	784,905	6,119,420
Tuition	1,376,781	-	-	1,376,781
Other	662,548	10,118	273,865	946,531
State sources	6,324,546	-	-	6,324,546
Federal sources	635,973	-	-	635,973
Total revenues	<u>12,747,658</u>	<u>1,596,823</u>	<u>1,058,770</u>	<u>15,403,251</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,263,969	370,431	54,300	6,688,700
Special	1,683,398	-	-	1,683,398
Other	1,562,146	-	248,709	1,810,855
	<u>9,509,513</u>	<u>370,431</u>	<u>303,009</u>	<u>10,182,953</u>
Support services:				
Student	200,920	-	1,856	202,776
Instructional staff	424,119	116,590	-	540,709
Administration	1,356,830	3,520	-	1,360,350
Operation and maintenance of plant	863,469	5,000	221,979	1,090,448
Transportation	592,876	223,169	20,125	836,170
	<u>3,438,214</u>	<u>348,279</u>	<u>243,960</u>	<u>4,030,453</u>
Capital outlay	-	558,908	-	558,908
Long-term debt:				
Principal	-	-	550,000	550,000
Interest and fiscal charges	-	-	207,676	207,676
	<u>-</u>	<u>-</u>	<u>757,676</u>	<u>757,676</u>
Other expenditures:				
AEA flowthrough	457,796	-	-	457,796
TOTAL EXPENDITURES	<u>13,405,523</u>	<u>1,277,618</u>	<u>1,304,645</u>	<u>15,987,786</u>
Excess(Deficiency) of revenues over(under) expenditures	(657,865)	319,205	(245,875)	(584,535)
Other financing sources(uses):				
Transfer in	-	-	354,080	354,080
Transfer out	-	(354,080)	-	(354,080)
Total other financing sources(uses)	<u>-</u>	<u>(354,080)</u>	<u>354,080</u>	<u>-</u>
Change in fund balances	(657,865)	(34,875)	108,205	(584,535)
Fund balance beginning of year	4,097,714	2,532,921	282,901	6,913,536
Fund balance end of year	<u>\$ 3,439,849</u>	<u>2,498,046</u>	<u>391,106</u>	<u>6,329,001</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ (584,535)

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

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

Expenditures for capital assets	\$ 511,564	
Depreciation expense	(759,796)	
Loss on asset disposal	<u>(27,074)</u>	(275,306)

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

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 586

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (27,337)

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.

Compensated absences	\$ 4,257	
Other postemployment benefits	<u>(94,508)</u>	<u>(90,251)</u>

Change in net position of governmental activities(page 19) \$ (426,843)

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2013

	<u>School Nutrition</u>
Assets	
Current assets:	
Inventories	\$ 4,496
Capital assets, net of accumulated depreciation	<u>68,588</u>
Total assets	<u>73,084</u>
Liabilities	
Current liabilities:	
Accounts payable	59
Due to other funds	73,352
Salaries and benefits payable	35,394
Unearned revenue	10,820
Long-term liabilities:	
Net OPEB liability	<u>5,328</u>
Total liabilities	<u>124,953</u>
Net position	
Invested in capital assets	68,588
Unrestricted	<u>(120,457)</u>
Total net position	<u>\$ (51,869)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 317,079
Miscellaneous	817
TOTAL OPERATING REVENUES	317,896
OPERATING EXPENSES:	
Current:	
Non-instructional programs:	
Food service operations:	
Salaries	188,080
Benefits	49,386
Services	170
Supplies	393,741
Depreciation	6,626
Other	70
TOTAL OPERATING EXPENSES	638,073
OPERATING LOSS	(320,177)
NON-OPERATING REVENUES:	
State sources	4,735
Federal sources	227,903
Interest income	166
TOTAL NON-OPERATING REVENUES	232,804
Change in net position before other financing sources	(87,373)
Other financing sources:	
Capital contributions	15,747
Change in net position	(71,626)
Net position beginning of year	19,757
Net position end of year	\$ (51,869)

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 316,842
Cash received from miscellaneous operating activities	817
Cash payments to employees for services	(232,773)
Cash payments to suppliers for goods or services	(378,336)
Net cash used in operating activities	(293,450)
Cash flows from non-capital financing activities:	
Borrowings from Capital Projects: Statewide Sales, Services and Use Tax Fund	73,352
State grants received	4,735
Federal grants received	214,791
Net cash provided by non-capital financing activities	292,878
Cash flows from investing activities:	
Interest on investments	166
Net decrease in cash and cash equivalents	(406)
Cash and cash equivalents at beginning of year	406
Cash and cash equivalents at end of year	\$ -
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (320,177)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,112
Depreciation	6,626
Decrease in inventories	2,474
Increase in accounts payable	59
Increase in other postemployment benefits payable	1,488
Increase in salaries and benefits payable	3,205
Decrease in unearned revenue	(237)
Net cash used in operating activities	\$ (293,450)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$13,112.

During the year ended June 30, 2013, the District received contributed capital from the Capital Projects: Physical Plant and Equipment Levy valued at \$15,747.

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net 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 non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position result 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 two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District also reports the following nonmajor proprietary funds which include the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the support services and the non-instructional programs functional areas exceeded the budgeted amounts.

(2) **Cash and Pooled Investments**

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

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

At June 30, 2013, the District had no investments to be reported.

(3) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Statewide Sales, Services and Use Tax	Enterprise: School Nutrition	\$ <u>73,352</u>

The Enterprise: School Nutrition Fund is repaying the Capital Projects: Statewide Sales, Services and Use Tax Fund for money borrowed to pay salaries and benefits during the year.

(4) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects: Statewide Sales, Services and Use Tax	
Debt Service		<u>\$ 354,080</u>

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

(5) Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 127,851	-	-	127,851
Total capital assets not being depreciated	<u>127,851</u>	<u>-</u>	<u>-</u>	<u>127,851</u>
Capital assets being depreciated:				
Buildings	18,149,982	28,517	110,114	18,068,385
Land improvements	627,822	64,142	-	691,964
Machinery and equipment	2,396,059	418,905	87,390	2,727,574
Total capital assets being depreciated	<u>21,173,863</u>	<u>511,564</u>	<u>197,504</u>	<u>21,487,923</u>
Less accumulated depreciation for:				
Buildings	7,550,123	371,977	83,040	7,839,060
Land improvements	346,839	29,824	-	376,663
Machinery and equipment	1,728,930	357,995	87,390	1,999,535
Total accumulated depreciation	<u>9,625,892</u>	<u>759,796</u>	<u>170,430</u>	<u>10,215,258</u>
Total capital assets being depreciated, net	<u>11,547,971</u>	<u>(248,232)</u>	<u>27,074</u>	<u>11,272,665</u>
Governmental activities capital assets, net	<u>\$ 11,675,822</u>	<u>(248,232)</u>	<u>27,074</u>	<u>11,400,516</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 151,849	15,747	6,800	160,796
Less accumulated depreciation	92,382	6,626	6,800	92,208
Business type activities capital assets, net	<u>\$ 59,467</u>	<u>9,121</u>	<u>-</u>	<u>68,588</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 177,564
Support services:		
Operation and maintenance of plant		6,865
Transportation		173,566
		<u>357,995</u>
Unallocated depreciation		<u>401,801</u>
		<u>\$ 759,796</u>
Business type activities:		
Food services		<u>\$ 6,626</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,575,000	-	370,000	1,205,000	395,000
Revenue bonds	5,355,000	-	180,000	5,175,000	220,000
Compensated absences	22,825	18,568	22,825	18,568	18,568
Net OPEB liability	188,164	94,508	-	282,672	-
Total	<u>\$ 7,140,989</u>	<u>113,076</u>	<u>572,825</u>	<u>6,681,240</u>	<u>633,568</u>
Business type activities:					
Net OPEB liability	<u>\$ 3,840</u>	<u>1,488</u>	<u>-</u>	<u>5,328</u>	<u>-</u>

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 27, 2009			
	Interest Rates	Principal	Interest	Total
2014	2.00-2.20 %	\$ 395,000	25,830	420,830
2015	2.20-2.40	410,000	17,165	427,165
2016	2.40-2.60	400,000	7,530	407,530
Total		<u>\$ 1,205,000</u>	<u>50,525</u>	<u>1,255,525</u>

Revenue Bonds Payable

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 1, 2010			
	Interest Rates	Principal	Interest	Total
2014	2.00 %	\$ 220,000	168,980	388,980
2015	2.00	260,000	164,580	424,580
2016	2.10	265,000	159,380	424,380
2017	2.40	275,000	153,815	428,815
2018	2.60	285,000	147,215	432,215
2019-2023	2.90-3.50	1,570,000	604,930	2,174,930
2024-2028	3.60-4.00	1,875,000	310,210	2,185,210
2029	4.00	425,000	17,000	442,000
Total		\$ 5,175,000	1,726,110	6,901,110

The District has pledged future statewide sales, service and use tax revenues to repay the \$5,545,000 bond issued December 2010. The bonds were issued for the purpose of financing a portion of the costs of various improvements to the high school building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 39 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$6,901,110. For the current year, the District paid principal of \$180,000 and interest of \$172,580 on the bonds and total statewide sales, services and use tax revenues were \$992,338.

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

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

Termination Benefits

The District offers a voluntary early retirement plan to its full-time licensed employees, this plan provides health insurance coverage to the retiree and is to be paid by the District until age 65. Eligible employees must be at least fifty-five years of age and employees must have completed twenty years of total experience as a teacher and/or administrator, of which the last ten years must be served consecutively at Mid-Prairie Community School District. Employees must complete an application, which is required to be approved by the Board of Education. During the year ended June 30, 2013, the District paid \$54,300 of early retirement benefit payments. A liability has not been recorded in the Statement of Net Position because it is included as an explicit subsidy to the OPEB liability.

(7) **Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$697,813, \$619,459 and \$524,717, respectively, equal to the required contributions for each year.

(8) **Other Postemployment Benefits**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 164 active and 14 retired members in the plan. Retired participants must be age 55 or older at retirement. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. The District also offers health insurance benefits to eligible retirees. These benefits are calculated as an explicit subsidy to the OPEB liability.

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

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

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

Annual required contribution	\$	208,000
Interest on net OPEB obligation		9,000
Adjustment to annual required contribution		(7,004)
Annual OPEB cost		<u>209,996</u>
Contributions made		<u>(114,000)</u>
Increase in net OPEB obligation		95,996
Net OPEB obligation beginning of year		<u>192,004</u>
Net OPEB obligation end of year	\$	<u><u>288,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$114,000 to the medical plan. Plan members eligible for benefits contributed \$31,000, or 21.4% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 161,000	63.4%	\$ 153,000
2012	162,004	75.9%	192,004
2013	209,996	54.3%	288,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,874,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,874,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,039,546, and the ratio of the UAAL to covered payroll was 31.0%. 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, 2012 actuarial valuation date, the projected unit credit method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2015 using Scale AA, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2012.

Projected claim costs of the medical plans for retirees less than age 65 are \$769 per month for the PPO 500 plan, \$726 per month for the PPO 750 plan and \$636 per month for the PPO 1500 plan. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$457,796 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.

(11) Deficit Fund Balance/Net Position

At June 30, 2013, the Nutrition Fund had deficit unrestricted net position of \$120,457 and a deficit fund balance of \$51,869.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the support services and the non-instructional programs functional areas exceeded the budgeted amounts.

(13) Categorical Funding

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

<u>Project</u>	<u>Amount</u>
Gifted and talented	\$ 39,304
Four-year-old preschool state aid	24,868
Teacher salary supplement	69,752
Total categorical funding	<u>\$ 133,924</u>

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,442,732	318,062	8,760,794	9,078,013	9,078,013	(317,219)
State sources	6,324,546	4,735	6,329,281	6,641,154	6,641,154	(311,873)
Federal sources	635,973	227,903	863,876	705,000	705,000	158,876
Total revenues	15,403,251	550,700	15,953,951	16,424,167	16,424,167	(470,216)
Expenditures/Expenses:						
Instruction	10,182,953	-	10,182,953	10,658,500	10,658,500	475,547
Support services	4,030,453	-	4,030,453	3,732,000	3,732,000	(298,453)
Non-instructional programs	-	638,073	638,073	573,000	573,000	(65,073)
Other expenditures	1,774,380	-	1,774,380	2,566,816	2,566,816	792,436
Total expenditures/expenses	15,987,786	638,073	16,625,859	17,530,316	17,530,316	904,457
Deficiency of revenues under expenditures/expenses	(584,535)	(87,373)	(671,908)	(1,106,149)	(1,106,149)	434,241
Other financing sources, net	-	15,747	15,747	-	-	15,747
Deficiency of revenues under expenditures/ expenses and other financing sources	(584,535)	(71,626)	(656,161)	(1,106,149)	(1,106,149)	449,988
Balance beginning of year	6,913,536	19,757	6,933,293	6,126,736	6,126,736	(806,557)
Balance end of year	\$ 6,329,001	(51,869)	6,277,132	5,020,587	5,020,587	(356,569)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

During the year ended June 30, 2013, expenditures in the support services and non-instructional programs functional areas exceeded the budgeted amounts.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 1,571,000	1,571,000	0.00%	\$ 7,795,000	20.2%
2011	July 1, 2010	-	1,457,000	1,457,000	0.00%	7,738,000	18.8%
2012	July 1, 2010	-	1,457,000	1,457,000	0.00%	7,623,206	19.1%
2013	July 1, 2012	-	1,874,000	1,874,000	0.00%	6,039,546	31.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue				
	Management Levy	Student Activity	Total Special Revenue	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 284,281	114,223	398,504	6,726	405,230
Receivables:					
Property tax:					
Delinquent	4,786	-	4,786	4,953	9,739
Succeeding year	140,000	-	140,000	592,330	732,330
TOTAL ASSETS	\$ 429,067	114,223	543,290	604,009	1,147,299
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 926	22,937	23,863	-	23,863
Deferred revenue:					
Succeeding year property tax	140,000	-	140,000	592,330	732,330
Total liabilities	140,926	22,937	163,863	592,330	756,193
Fund balances:					
Restricted for:					
Debt service	-	-	-	11,679	11,679
Management levy purposes	288,141	-	288,141	-	288,141
Student activities	-	91,286	91,286	-	91,286
Total fund balances	288,141	91,286	379,427	11,679	391,106
TOTAL LIABILITIES AND FUND BALANCES	\$ 429,067	114,223	543,290	604,009	1,147,299

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue				Total
	Management Levy	Student Activity	Total Special Revenue	Debt Service	
REVENUES:					
Local sources:					
Local tax	\$ 379,517	-	379,517	405,388	784,905
Other	10,128	263,736	273,864	1	273,865
TOTAL REVENUES	389,645	263,736	653,381	405,389	1,058,770
EXPENDITURES:					
Current:					
Instruction:					
Regular	54,300	-	54,300	-	54,300
Other	-	248,709	248,709	-	248,709
Support services:					
Student	1,856	-	1,856	-	1,856
Operation and maintenance of plant	220,963	1,016	221,979	-	221,979
Transportation	20,125	-	20,125	-	20,125
Long-term debt:					
Principal	-	-	-	550,000	550,000
Interest and fiscal charges	-	-	-	207,676	207,676
TOTAL EXPENDITURES	297,244	249,725	546,969	757,676	1,304,645
Excess(Deficiency) of revenues over(under) expenditures	92,401	14,011	106,412	(352,287)	(245,875)
Other financing sources:					
Transfer in	-	-	-	354,080	354,080
Change in fund balances	92,401	14,011	106,412	1,793	108,205
Fund balances beginning of year	195,740	77,275	273,015	9,886	282,901
Fund balances end of year	\$ 288,141	91,286	379,427	11,679	391,106

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 2,219,651	61,039	2,280,690
Receivables:			
Property tax:			
Delinquent	-	2,900	2,900
Succeeding year	-	257,128	257,128
Income surtax	-	356,077	356,077
Due from other funds	73,352	-	73,352
Due from other governments	249,043	-	249,043
TOTAL ASSETS	\$ 2,542,046	677,144	3,219,190
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 63,965	43,974	107,939
Deferred revenue:			
Succeeding year property tax	-	257,128	257,128
Income surtax	-	356,077	356,077
Total liabilities	63,965	657,179	721,144
Fund balances:			
Restricted for:			
Debt service	442,000	-	442,000
School infrastructure	2,036,081	-	2,036,081
Physical plant and equipment levy	-	19,965	19,965
Total fund balances	2,478,081	19,965	2,498,046
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,542,046	677,144	3,219,190

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 992,338	594,367	1,586,705
Other	6,342	3,776	10,118
TOTAL REVENUES	<u>998,680</u>	<u>598,143</u>	<u>1,596,823</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	205,739	164,692	370,431
Support services:			
Instructional staff	79,404	37,186	116,590
Administration	-	3,520	3,520
Transportation	223,169	5,000	228,169
Capital outlay	75,854	483,054	558,908
TOTAL EXPENDITURES	<u>584,166</u>	<u>693,452</u>	<u>1,277,618</u>
Excess(Deficiency) of revenues over(under) expenditures	414,514	(95,309)	319,205
Other financing uses:			
Transfer out	(354,080)	-	(354,080)
Change in fund balances	60,434	(95,309)	(34,875)
Fund balance beginning of year	<u>2,417,647</u>	<u>115,274</u>	<u>2,532,921</u>
Fund balance end of year	<u>\$ 2,478,081</u>	<u>19,965</u>	<u>2,498,046</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama Workshop	\$ 3,792	11,634	8,057	-	7,369
Athletics (Donations)	8,441	578	4,016	(1,402)	3,601
Athletics	-	85,763	86,107	358	14
Annual	11,962	9,189	4,226	-	16,925
Soccer Fundraising	4,936	1,302	35	-	6,203
Class of 2010	197	-	197	-	-
Class of 2012	1,419	-	1,419	-	-
Class of 2013	3,567	2,570	5,937	-	200
Class of 2014	-	7,608	5,338	-	2,270
Renaissance	5,563	3,375	3,422	-	5,516
Post Prom	3,645	9,281	9,400	-	3,526
FFA	6,900	27,565	25,515	-	8,950
Librarians Club	190	-	-	-	190
Miscellaneous	4,732	5,169	4,805	-	5,096
Newspaper	93	-	-	-	93
Baseball	-	2,378	2,426	48	-
Boys Basketball	-	13,523	10,090	-	3,433
Girls Basketball	508	13,730	12,666	-	1,572
Cheerleading	-	1,168	796	-	372
Football	1,237	23,889	18,452	-	6,674
Golf	-	603	853	250	-
Boys Soccer	1,523	10,727	11,977	-	273
Cross Country	2,022	2,774	4,498	-	298
Track	398	977	882	-	493
Volleyball	5,279	8,867	9,176	-	4,970
Girls Soccer	-	920	800	-	120
Softball	-	1,586	1,586	-	-
Wrestling	172	924	539	-	557
Soda Club	2,199	-	-	-	2,199
FCCLA (Seward)	840	4,369	4,056	-	1,153
High School Student Council	2,670	3,630	2,468	-	3,832
Wellness	1,656	-	-	-	1,656
Dance Team	1,280	4,547	2,096	-	3,731
Strength and Conditioning	2,054	5,090	7,890	746	-
Total	\$ 77,275	263,736	249,725	-	91,286

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 6,119,420	6,578,585	6,157,516	5,639,516	5,557,275	5,137,844	4,860,705	4,456,303	4,024,532	3,929,740
Tuition	1,376,781	1,418,826	1,305,059	1,160,192	933,397	984,372	894,017	692,869	627,395	546,827
Other	946,531	951,990	822,275	730,304	708,506	696,022	674,764	559,225	521,031	531,873
State sources	6,324,546	6,164,254	6,468,081	5,502,857	6,172,626	5,989,551	5,458,305	5,108,904	4,849,058	4,489,314
Federal sources	635,973	1,083,026	1,714,934	1,205,901	936,591	858,672	627,300	452,753	484,722	524,831
Total	\$ 15,403,251	16,196,681	16,467,865	14,238,770	14,308,395	13,666,661	12,515,091	11,270,054	10,506,738	10,022,585
Expenditures:										
Instruction										
Regular	\$ 6,688,700	5,624,107	4,942,744	5,072,003	5,552,286	6,048,171	5,408,692	5,112,989	4,788,002	4,732,575
Special	1,683,398	1,625,087	1,609,597	1,502,352	1,488,236	1,469,061	1,427,956	1,379,195	1,081,657	886,662
Other	1,810,855	2,024,754	2,847,204	2,378,957	1,903,211	984,557	1,017,291	617,753	844,883	785,990
Support services:										
Student	202,776	194,901	174,402	176,092	206,367	233,047	205,463	228,264	217,976	201,391
Instructional staff	540,709	560,597	423,011	460,310	484,953	436,973	418,258	423,256	223,188	225,598
Administration	1,360,350	1,161,481	1,081,186	1,081,281	952,790	926,113	915,715	908,776	835,003	794,848
Operation and maintenance of plant	1,090,448	952,569	922,093	764,278	1,064,478	907,873	884,833	854,623	803,747	763,437
Transportation	836,170	709,609	537,870	749,436	653,787	492,551	595,379	450,232	513,750	465,224
Non-instructional programs	-	-	-	3,450	17,854	-	-	-	-	-
Capital outlay	558,908	3,465,414	3,353,819	1,374,745	524,834	544,243	506,305	297,159	420,974	330,601
Long-term debt:										
Principal	550,000	550,000	355,000	355,000	2,920,000	305,000	295,000	275,000	280,000	285,000
Interest and fiscal charges	207,676	319,388	158,009	53,355	156,505	127,792	137,428	146,391	154,436	161,166
Other expenditures:										
AEA flow-through	457,796	457,982	504,572	488,089	445,538	414,074	397,136	364,300	350,130	343,098
Total	\$ 15,987,786	17,645,889	16,909,507	14,459,348	16,370,839	12,889,455	12,209,456	11,057,938	10,513,746	9,975,590

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
FOREIGN LANGUAGE ASSISTANCE - CHINESE	84.293	FY 12	\$ 9,802
FOREIGN LANGUAGE ASSISTANCE - CHINESE	84.293	FY 13	45,320
FOREIGN LANGUAGE ASSISTANCE - SPANISH	84.293	FY 12	8,877
FOREIGN LANGUAGE ASSISTANCE - SPANISH	84.293	FY 13	48,096
			<u>112,095</u>
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY13	28,929
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY13	198,974 *
			<u>227,903</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY13	<u>316,251</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY13	<u>5,472</u>
RURAL EDUCATION	84.358	FY13	<u>26,255</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY13	<u>69,498</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY13	<u>7,943</u>
U.S. DEPARTMENT OF EDUCATION:			
GRANT WOOD AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY13	<u>62,337</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY13	<u>20,494</u>
TOTAL			<u>\$ 848,248</u>

* Includes \$13,112 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Government 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 Mid-Prairie Community School District as 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 March 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid-Prairie 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 Mid-Prairie Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-Prairie 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 Questioned Costs, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement 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 II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 and II-B-13 to be material weaknesses.

Compliance and Other Matters

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

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

Mid-Prairie Community School District's Responses to Findings

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

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 Mid-Prairie Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2014
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

**Independent Auditor's Report on Compliance for Each
Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Mid-Prairie Community School District compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Mid-Prairie Community School District's major federal programs for the year ended June 30, 2013. Mid-Prairie Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mid-Prairie Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mid-Prairie Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mid-Prairie Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Mid-Prairie Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Mid-Prairie Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements

referred to above. In planning and performing our audit of compliance, we considered Mid-Prairie Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mid-Prairie Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2014
Newton, Iowa

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mid-Prairie Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function, handles petty cash, replenishing petty cash and custody.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - maintaining accounts receivable, recording, depositing, posting and reconciling.

- 4) Payroll - entering payroll rates and approval, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 5) Wire transfers - processing and approval.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) Journal entries - approval and posting.

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

Response - The District will continue to review ways to segregate duties in the central office.

Conclusion - Response accepted.

- II-B-13 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

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

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

Response - The District will be upgrading our accounting system to include different checking accounts so that funds do not have to be transferred from one bank to another after the month has ended.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
Federal Award Year: 2013
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2013
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function, handles petty cash, replenishing petty cash and custody.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - maintaining accounts receivable, recording, depositing, posting and reconciling.
- 4) Payroll - entering payroll rates and approval, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 5) Wire transfers - processing and approval.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling data input and output.
- 8) Journal entries - approval and posting.

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

Response - The District will continue to review ways to segregate duties in the central office.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - During the year ended June 30, 2013, expenditures in the support services and non-instructional programs functional areas exceeded the budgeted amounts.

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

Response - The District will monitor expenses more closely and will amend the budget as needed.

Conclusion - Response accepted.

IV-B-13 Questionable Disbursements - We noted during our audit that the District purchased gift cards to be given to students at the after prom party. The District is unable to audit the final purchase made with a gift card to determine that the purchase meets public purpose requirements; therefore, gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing gift cards. The District should review the purchasing procedures it has in place and make necessary adjustments to ensure that all purchases meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Response - District employees have been notified that the purchase of gift cards are prohibited.

Conclusion - Response accepted.

IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. However, we noted that travel expenses were being reimbursed and supplies being purchased on the District's credit cards without the central office receiving a detailed receipt.

Board policy 401.10 states "Employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense. Failure to provide a proper receipt shall make the employee responsible for expenses incurred."

Recommendation - The District should review Board policy 401.10 with employees and require a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense incurred on the District's credit cards.

Response - The District's employees have been notified that they need detailed copies of all receipts including meal receipts or the expense will not be reimbursed by the District.

Conclusion - Response accepted.

IV-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-13 Supplementary Weighting - We noted no variances regarding the supplementary weighting data certified to the Iowa Department of Education.

IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

IV-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue.

Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District 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		\$	2,417,647
Revenues:			
Sales tax revenues	\$	992,338	
Other local revenues		6,342	998,680
Total revenues			<u>3,416,327</u>
Expenditures/transfers out:			
School infrastructure construction	\$	75,854	
Equipment		508,312	
Transfer to another fund:			
Debt service fund		354,080	938,246
Ending balance			<u>\$ 2,478,081</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 423 F of the Code of Iowa.

IV-M-13 Financial Condition - At June 30, 2013, the Enterprise, School Nutrition Fund had an unrestricted net position deficit balance of \$120,457 and a deficit fund balance of \$51,869.

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

Response - The District has been working on correcting the Nutrition Fund expenditures and have raised breakfast and lunch prices. The District hired a Director of Nutrition to make necessary changes to the program.

Conclusion - Response accepted.

IV-N-13 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

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

Response - The District has contacted vendors in regards to the outstanding checks and will reissue these checks when applicable.

Conclusion - Response accepted.

IV-O-13 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will have the Board President sign all officials contracts in the future.

Conclusion - Response accepted.

IV-P-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of instances of questioned items and recommendations are as follows:

Miscellaneous Activity Account: We noted during our audit that the District is administratively maintaining a miscellaneous account that is used to record collections and write-off of non-sufficient funds checks the District has during the year.

Recommendation - When the District has transactions for non-sufficient funds checks, the transactions should be recorded to the proper individual Activity Fund account.

Response - The District will charge the NSF fee to the proper individual Activity Fund account.

Conclusion - Response accepted.

Librarian's Club - We noted during our audit that the District is maintaining a Librarians Club account within the Student Activity Fund. Revenues from this account appear to be generated from book fines paid by students. Activities that are connected with the library should be handled in the General Fund.

Recommendation - Because the activities relating to the library are required to be recorded in the General Fund, any money derived from fees should also be recorded in the General Fund. The Librarian's Club account should be transferred to the General Fund.

Response - The District will move the Librarian's Club account to the General Fund.

Conclusion - Response accepted.

IV-Q-13 Unallowable Transfer - During the year ended June 30, 2013, we noted the District made a permanent transfer without permission from the School Budget Review Committee of \$73,352 from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Nutrition Fund to cover cash shortages for salaries and benefits paid during the year. Due to the materiality of the unallowable permanent transfer amount to the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Nutrition Fund, \$73,352 has been shown as interfund loan between the two funds on the financial statements of this report.

Recommendation - The District should contact the Iowa Department of Education to create a workout plan to eliminate the interfund loan. The Iowa Department of Education would work with the District to develop ideas of how to manage the Nutrition Fund budget on the revenues collected.

Additionally, the District needs to review program costs compared to sales, labor costs of staff, balances of individual student accounts and possible issues with internal controls and reporting. The District should consider raising meal prices and cutting staff benefits to bring the Nutrition Fund back to a level of self-sustainability. District staff may also need additional training to gain the knowledge needed to properly manage costs to revenues.

Response - The District will contact the Department of Education to create a workout plan. The District has hired a Nutrition Director to monitor expenditures and implement

cost saving practices. The District has raised breakfast and lunch prices and have implemented a board policy on negative lunch accounts. The Nutrition Fund currently has a positive balance and we will work towards paying the interfund loan of \$73,352 back to the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Conclusion - Response acknowledged.