

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

JUNE 30, 2014

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Mid-Prairie Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2013 Election)		
Jack Dillon	President	2013
James Hussey	Vice President	2013
Randy Billups	Board Member (Resigned March 25, 2013)	2015
Jeremy Pickard	Board Member (Appointed March 25, 2013)	2015
Matt Frascht	Board Member	2015
Charles Freeman	Board Member	2015
George Schaefer	Board Member	2015
Stacia Bontrager	Board Member	2013
(After September 2013 Election)		
James Hussey	President	2017
George Schaefer	Vice President	2015
Jeremy Pickard	Board Member	2015
Matt Frascht	Board Member	2015
Charles Freeman	Board Member	2015
Jeremy Statler	Board Member	2017
Stacia Bontrager	Board Member	2017
School Officials		
Mark Schneider	Superintendent	2014
Cindy Steege	District Secretary/ Treasurer (Resigned June 12, 2014)	2014
Cindy Malichky	Interim District Secretary/ Treasurer (Appointed June 12, 2014)	2014
Joseph Holland	Attorney	2014

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, 2014, 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, 2014, 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 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

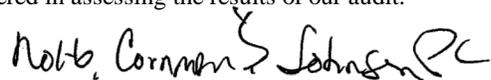
Supplementary Information

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 two years ended June 30, 2013 (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 unmodified 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 unmodified opinions on the governmental activities, business-type activities, each major fund and the aggregate remaining fund information. The financial statements for the two years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unmodified 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 January 6, 2015 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.

January 6, 2015
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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,747,658 in fiscal 2013 to \$13,604,661 in fiscal 2014, while General Fund expenditures increased from \$13,405,523 in fiscal 2013 to \$13,895,008 in fiscal 2014. The District's General Fund balance decreased from \$3,439,849 in fiscal 2013 to a balance of \$3,149,502 in fiscal 2014, an 8.44% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state sources in fiscal 2014. The increase in expenditures was partly due to an increase in negotiated salaries and benefits paid to District employees and transportation costs.
- In April of 2014, voters approved the issuance of general obligation bonds for the District in the amount of \$10,000,000. Funding of these bonds occurred on August 1, 2014 upon purchase of the bonds. The true interest rate is 2.95%.

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.

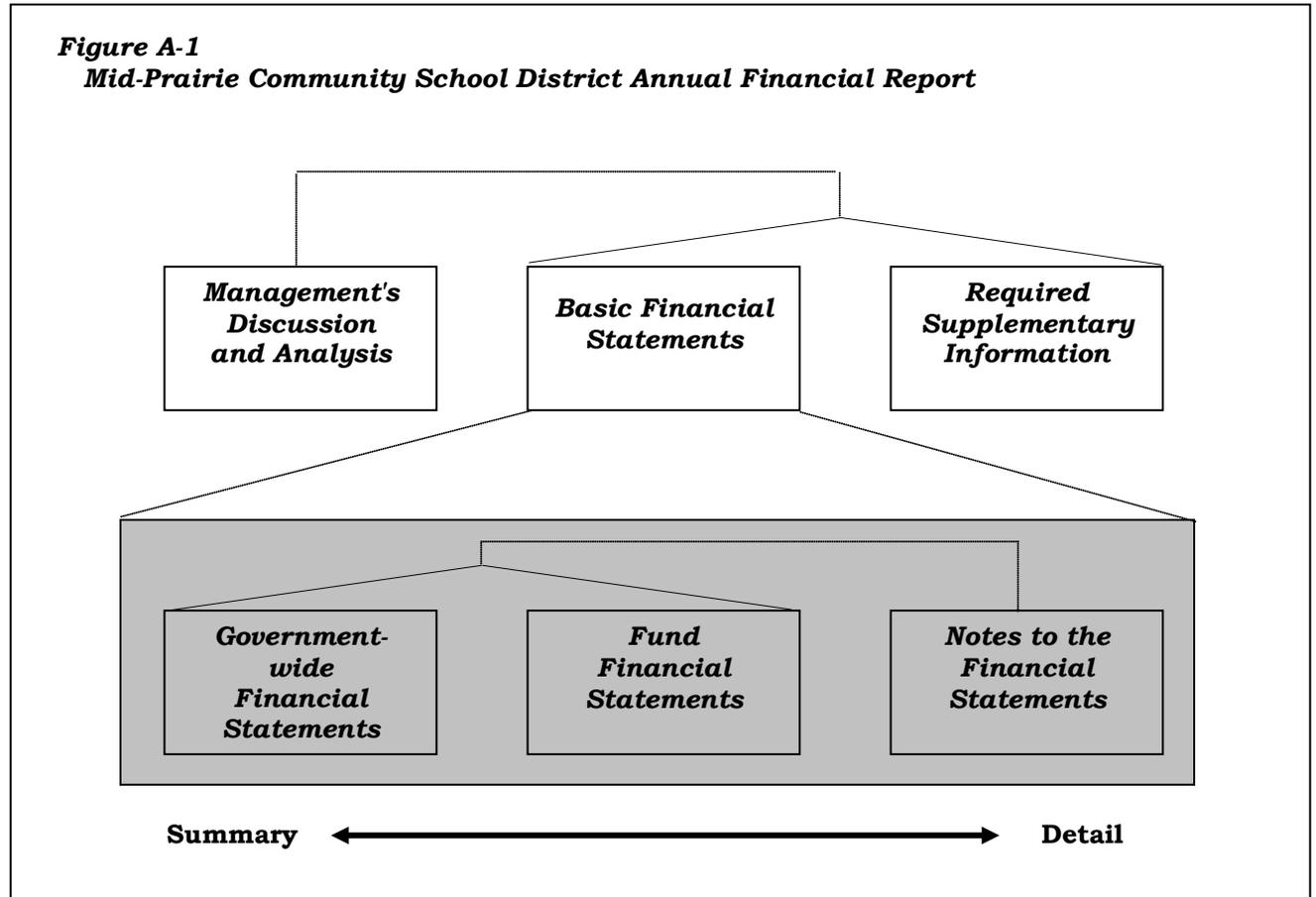


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 is one way to measure the District's financial health or financial 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.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

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,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 13,267,842	13,123,113	33,654	4,496	13,301,496	13,127,609	1.32%
Capital assets	11,049,812	11,400,516	61,449	68,588	11,111,261	11,469,104	-3.12%
Total assets	24,317,654	24,523,629	95,103	73,084	24,412,757	24,596,713	-0.75%
Long-term obligations	5,969,030	6,681,240	6,751	5,328	5,975,781	6,686,568	-10.63%
Other liabilities	1,911,429	1,667,605	112,222	119,625	2,023,651	1,787,230	13.23%
Total liabilities	7,880,459	8,348,845	118,973	124,953	7,999,432	8,473,798	-5.60%
Deferred inflows of resources	4,890,380	4,594,703	-	-	4,890,380	4,594,703	6.44%
Net position:							
Net investment in capital assets	5,454,812	5,020,516	61,449	68,588	5,516,261	5,089,104	8.39%
Restricted	2,999,991	3,020,765	-	-	2,999,991	3,020,765	-0.69%
Unrestricted	3,092,012	3,538,800	(85,319)	(120,457)	3,006,693	3,418,343	-12.04%
Total net position	\$ 11,546,815	11,580,081	(23,870)	(51,869)	11,522,945	11,528,212	-0.05%

The District's combined net position decreased by 0.05%, or \$5,267, 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 \$20,774 or 0.69%, over the prior year. The decrease is primarily due to the decrease in the Capital Projects: Statewide Sales, Services and Use Tax.

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 \$411,650, or 12.04%. 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, 2014 compared to the year ended June 30, 2013.

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,	2013-14
	2014	2013	2014	2013	2014	2013	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,991,675	1,950,334	349,638	317,079	2,341,313	2,267,413	3.26%
Operating grants and contributions and restricted interest	1,507,968	1,626,465	254,446	232,638	1,762,414	1,859,103	-5.20%
Capital grants and contributions and restricted interest	2,216	10,103	-	-	2,216	10,103	-78.07%
General revenues:							
Property tax	4,552,715	4,534,060	-	-	4,552,715	4,534,060	0.41%
Income surtax	693,558	565,685	-	-	693,558	565,685	22.60%
Statewide sales, services and use tax	1,066,938	992,338	-	-	1,066,938	992,338	7.52%
Unrestricted state grants	6,492,018	5,610,169	-	-	6,492,018	5,610,169	15.72%
Unrestricted investment earnings	12,685	16,967	250	166	12,935	17,133	-24.50%
Other	64,031	69,793	1,435	817	65,466	70,610	-7.29%
Transfers	(4,147)	(15,747)	4,147	15,747	-	-	0.00%
Total revenues and transfers	16,379,657	15,360,167	609,916	566,447	16,989,573	15,926,614	6.67%
Program expenses:							
Governmental activities:							
Instruction	10,451,607	10,294,613	-	-	10,451,607	10,294,613	1.53%
Support services	4,765,374	4,425,710	190	-	4,765,564	4,425,710	7.68%
Non-instructional programs	-	-	581,727	638,073	581,727	638,073	-8.83%
Other expenses	1,195,942	1,066,687	-	-	1,195,942	1,066,687	12.12%
Total expenses	16,412,923	15,787,010	581,917	638,073	16,994,840	16,425,083	3.47%
Change in net position	(33,266)	(426,843)	27,999	(71,626)	(5,267)	(498,469)	-98.94%
Beginning net position	11,580,081	12,006,924	(51,869)	19,757	11,528,212	12,026,681	-4.14%
Ending net position	\$ 11,546,815	11,580,081	(23,870)	(51,869)	11,522,945	11,528,212	-0.05%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 78.18% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.04% of the revenue from business type activities.

The District's total revenues were approximately \$16.99 million of which approximately \$16.38 million was for governmental activities and approximately \$0.61 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 6.67% increase in revenues and a 3.47% 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 \$16,379,657 and expenses were \$16,412,923.

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, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 10,451,607	10,294,613	1.53%	7,621,276	7,329,508	3.98%
Support services	4,765,374	4,425,710	7.67%	4,582,671	4,261,709	7.53%
Other expenses	1,195,942	1,066,687	12.12%	707,117	608,891	16.13%
Totals	\$ 16,412,923	15,787,010	3.96%	12,911,064	12,200,108	5.83%

- The cost financed by users of the District's programs was \$1,991,675.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,510,184.
- The net cost of governmental activities was financed with \$4,552,715 in property tax, \$693,558 in income surtax, \$1,066,938 in statewide sales, services and use tax, \$6,492,018 in unrestricted state grants, \$12,685 in interest income and \$59,884 in other general revenues net of transfers.

Business Type Activities

Revenues of the District's business type activity were \$609,916 and expenses were \$581,917. 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 \$5,933,091, below last year's ending fund balances of \$6,329,001. 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 \$3,439,849 in fiscal 2013 to \$3,149,502 in fiscal 2014. General Fund revenues and expenditures increased causing the District to use carryover fund balance to meet its financial obligations during the year.

- The Capital Project Accounts balance increased from \$2,498,046 in fiscal 2013 to \$2,569,899 in fiscal 2014. The increase is primarily due to the increase in fund balance in the Capital Projects: Physical Plant and Equipment Levy.
- The Debt Fund balance increased from \$11,679 in fiscal 2013 to \$13,395 in fiscal 2014. The increase was due to an increase in local tax revenues during fiscal 2014.

Proprietary Fund Highlights

The School Nutrition Fund's balance increased from a deficit \$51,869 in fiscal 2013 to a deficit balance of \$23,870 in fiscal 2014. This represents an increase of 53.98% from 2013 to 2014.

BUDGETARY HIGHLIGHTS

The District's revenues were \$648,419 less than budgeted revenues, a variance of 3.68%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$11,111,261 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 3.12% 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 \$781,789.

The original cost of the District's capital assets was \$21,892,152. Governmental funds account for \$21,727,209 with the remainder of \$164,943 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 totaled \$127,851 at June 30, 2013 as compared to \$203,120 at June 30, 2014.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 203,120	127,851	-	-	203,120	127,851	58.87%
Buildings	9,803,743	10,229,325	-	-	9,803,743	10,229,325	-4.16%
Land improvements	347,216	315,301	-	-	347,216	315,301	10.12%
Machinery and equipment	695,733	728,039	61,449	68,588	757,182	796,627	-4.95%
Total	\$ 11,049,812	11,400,516	61,449	68,588	11,111,261	11,469,104	-3.12%

Long-Term Debt

At June 30, 2014, the District had \$5,975,781 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 \$640,000 at June 30, 2014.
- The District had total outstanding revenue bonds payable of \$4,955,000 at June 30, 2014.
- The District had compensated absences payable of \$15,886 at June 30, 2014.
- The District had OPEB payable of \$364,895 at June 30, 2014. Governmental activities account for \$358,144 and business type activities account for \$6,751.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	June 30, 2013-14
General obligation bonds	\$ 640,000	1,205,000	-	-	640,000	1,205,000	-46.89%
Revenue bonds	4,955,000	5,175,000	-	-	4,955,000	5,175,000	-4.25%
Compensated absences	15,886	18,568	-	-	15,886	18,568	-14.44%
Other post employment benefits	358,144	282,672	6,751	5,328	364,895	288,000	26.70%
Total	\$ 5,969,030	6,681,240	6,751	5,328	5,975,781	6,686,568	-10.63%

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 Incentive from the State of Iowa for the sharing agreement with Keota Community School District. Funding and positions have changed several times in the prior years and the duration of the sharing agreement will impact the District. The current sharing agreement for the Superintendent has been extended through the 2016 Fiscal Year.
- The District has experienced an increase in resident students during the past two fiscal years. Fiscal year 2016 Certified Enrollment has declined slightly after three years of increases. Future enrollment is unknown as enrollment trends are hard to predict.
- Open enrollment has continued to increase and provide the District with increased revenues and spending authority.
- Tax valuations of the District have increased over the past several years but with changes in legislation and 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.
- Continuing low interest rates have benefited the district as it issues new General Obligation Bonds in Fiscal Year 2015.

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 Jeffrey Swartzentruber, 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, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 7,009,889	30,754	7,040,643
Receivables:			
Property tax:			
Delinquent	27,952	-	27,952
Succeeding year	4,890,380	-	4,890,380
Income surtax	534,115	-	534,115
Due from other funds	73,352	-	73,352
Due from other governments	732,154	-	732,154
Inventories	-	2,900	2,900
Capital assets, net of accumulated depreciation	11,049,812	61,449	11,111,261
TOTAL ASSETS	24,317,654	95,103	24,412,757
LIABILITIES			
Accounts payable	299,141	435	299,576
Due to other funds	-	73,352	73,352
Salaries and benefits payable	1,511,115	28,412	1,539,527
Deposits premium	100,000	-	100,000
Accrued interest payable	1,173	-	1,173
Unearned revenue	-	10,023	10,023
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	410,000	-	410,000
Revenue bonds payable	260,000	-	260,000
Compensated absences payable	15,886	-	15,886
Portion due after one year:			
General obligation bonds payable	230,000	-	230,000
Revenue bonds payable	4,695,000	-	4,695,000
Net OPEB liability	358,144	6,751	364,895
TOTAL LIABILITIES	7,880,459	118,973	7,999,432
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	4,890,380	-	4,890,380
NET POSITION			
Net investment in capital assets	5,454,812	61,449	5,516,261
Restricted for:			
Categorical funding	178,999	-	178,999
Debt service	454,222	-	454,222
School infrastructure	1,932,676	-	1,932,676
Physical plant and equipment levy	195,223	-	195,223
Management levy purposes	112,805	-	112,805
Student activities	126,066	-	126,066
Unrestricted	3,092,012	(85,319)	3,006,693
TOTAL NET POSITION	\$ 11,546,815	(23,870)	11,522,945

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	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	\$ 6,815,105	1,129,691	170,424	-	(5,514,990)	-	(5,514,990)
Special	1,737,736	323,624	161,773	-	(1,252,339)	-	(1,252,339)
Other	1,898,766	384,176	658,427	2,216	(853,947)	-	(853,947)
	<u>10,451,607</u>	<u>1,837,491</u>	<u>990,624</u>	<u>2,216</u>	<u>(7,621,276)</u>	<u>-</u>	<u>(7,621,276)</u>
Support services:							
Student	261,533	-	-	-	(261,533)	-	(261,533)
Instructional staff	481,780	-	-	-	(481,780)	-	(481,780)
Administration	1,550,199	74,077	-	-	(1,476,122)	-	(1,476,122)
Operation and maintenance of plant	1,657,526	69,889	-	-	(1,587,637)	-	(1,587,637)
Transportation	814,336	10,218	28,519	-	(775,599)	-	(775,599)
	<u>4,765,374</u>	<u>154,184</u>	<u>28,519</u>	<u>-</u>	<u>(4,582,671)</u>	<u>-</u>	<u>(4,582,671)</u>
Long-term debt interest	194,169	-	-	-	(194,169)	-	(194,169)
Other expenses:							
AEA flowthrough	488,825	-	488,825	-	-	-	-
Depreciation (unallocated)*	512,948	-	-	-	(512,948)	-	(512,948)
	<u>1,001,773</u>	<u>-</u>	<u>488,825</u>	<u>-</u>	<u>(512,948)</u>	<u>-</u>	<u>(512,948)</u>
Total governmental activities	16,412,923	1,991,675	1,507,968	2,216	(12,911,064)	-	(12,911,064)
Business type activities:							
Support services:							
Operation and maintenance of plant	190	-	-	-	-	(190)	(190)
Non-instructional programs:							
Nutrition services	581,727	349,638	254,446	-	-	22,357	22,357
Total business type activities	<u>581,917</u>	<u>349,638</u>	<u>254,446</u>	<u>-</u>	<u>-</u>	<u>22,167</u>	<u>22,167</u>
Total	\$ <u>16,994,840</u>	<u>2,341,313</u>	<u>1,762,414</u>	<u>2,216</u>	<u>(12,911,064)</u>	<u>22,167</u>	<u>(12,888,897)</u>
General Revenues & Transfers:							
Property tax levied for:							
General purposes				\$	3,701,973	-	3,701,973
Debt service					593,043	-	593,043
Capital outlay					257,699	-	257,699
Income surtax					693,558	-	693,558
Statewide sales, services and use tax					1,066,938	-	1,066,938
Unrestricted state grants					6,492,018	-	6,492,018
Unrestricted investment earnings					12,685	250	12,935
Other					64,031	1,435	65,466
Transfers					(4,147)	4,147	-
Total general revenues & transfers					<u>12,877,798</u>	<u>5,832</u>	<u>12,883,630</u>
Change in net position					(33,266)	27,999	(5,267)
Net position beginning of year					<u>11,580,081</u>	<u>(51,869)</u>	<u>11,528,212</u>
Netposition end of year					\$ <u>11,546,815</u>	<u>(23,870)</u>	<u>11,522,945</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, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 4,436,803	2,331,466	9,896	231,724	7,009,889
Receivables:					
Property tax					
Delinquent	22,066	1,519	3,499	868	27,952
Succeeding year	3,608,575	207,193	867,613	206,999	4,890,380
Income surtax	178,038	356,077	-	-	534,115
Due from other funds	-	73,352	-	-	73,352
Due from other governments	416,251	315,903	-	-	732,154
TOTAL ASSETS	\$ 8,661,733	3,285,510	881,008	439,591	13,267,842
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 214,503	52,341	-	32,297	299,141
Salaries and benefits payable	1,511,115	-	-	-	1,511,115
Deposits payable	-	100,000	-	-	100,000
Total liabilities	1,725,618	152,341	-	32,297	1,910,256
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	3,608,575	207,193	867,613	206,999	4,890,380
Income surtax	178,038	356,077	-	-	534,115
Total deferred inflows of resources	3,786,613	563,270	867,613	206,999	5,424,495
Fund balances:					
Restricted for:					
Categorical funding	178,999	-	-	-	178,999
Debt service	-	442,000	13,395	-	455,395
School infrastructure	-	1,932,676	-	-	1,932,676
Physical plant and equipment levy	-	195,223	-	-	195,223
Management levy purposes	-	-	-	112,805	112,805
Student activities	-	-	-	126,066	126,066
Unassigned					
General Fund	2,970,503	-	-	-	2,970,503
Student activities	-	-	-	(38,576)	(38,576)
Total fund balances	3,149,502	2,569,899	13,395	200,295	5,933,091
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,661,733	3,285,510	881,008	439,591	13,267,842

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, 2014

Total fund balances of governmental funds(page 20)	\$	5,933,091
 <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.		11,049,812
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		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.		(1,173)
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.		(5,969,030)
		<hr style="border-top: 1px solid black;"/>
Net position of governmental activities(page 18)	\$	11,546,815
		<hr style="border-top: 3px double black;"/>

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, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,839,067	673,834	593,043	140,329	5,246,273
Tuition	1,451,238	-	-	-	1,451,238
Other	320,158	2,253	-	302,746	625,157
State sources	7,351,574	1,066,938	-	-	8,418,512
Federal sources	642,624	-	-	-	642,624
Total revenues	<u>13,604,661</u>	<u>1,743,025</u>	<u>593,043</u>	<u>443,075</u>	<u>16,383,804</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,229,167	412,413	-	100,258	6,741,838
Special	1,722,126	-	-	-	1,722,126
Other	1,598,354	-	-	295,813	1,894,167
	<u>9,549,647</u>	<u>412,413</u>	<u>-</u>	<u>396,071</u>	<u>10,358,131</u>
Support services:					
Student	259,573	-	-	507	260,080
Instructional staff	435,767	128,147	-	760	564,674
Administration	1,595,758	3,800	-	-	1,599,558
Operation and maintenance of plant	929,841	14,000	-	201,663	1,145,504
Transportation	635,597	17,175	-	23,206	675,978
	<u>3,856,536</u>	<u>163,122</u>	<u>-</u>	<u>226,136</u>	<u>4,245,794</u>
Capital outlay	-	706,657	-	-	706,657
Long-term debt:					
Principal	-	-	785,000	-	785,000
Interest and fiscal charges	-	-	195,307	-	195,307
	<u>-</u>	<u>-</u>	<u>980,307</u>	<u>-</u>	<u>980,307</u>
Other expenditures:					
AEA flowthrough	488,825	-	-	-	488,825
TOTAL EXPENDITURES	<u>13,895,008</u>	<u>1,282,192</u>	<u>980,307</u>	<u>622,207</u>	<u>16,779,714</u>
Excess(Deficiency) of revenues over(under) expenditures	(290,347)	460,833	(387,264)	(179,132)	(395,910)
Other financing sources(uses):					
Transfer in	-	-	388,980	-	388,980
Transfer out	-	(388,980)	-	-	(388,980)
Total other financing sources(uses)	<u>-</u>	<u>(388,980)</u>	<u>388,980</u>	<u>-</u>	<u>-</u>
Change in fund balances	(290,347)	71,853	1,716	(179,132)	(395,910)
Fund balance beginning of year	<u>3,439,849</u>	<u>2,498,046</u>	<u>11,679</u>	<u>379,427</u>	<u>6,329,001</u>
Fund balance end of year	<u>\$ 3,149,502</u>	<u>2,569,899</u>	<u>13,395</u>	<u>200,295</u>	<u>5,933,091</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, 2014

Change in fund balances - total governmental funds(page 22) \$ (395,910)

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 are capital outlay expenditures in the current year, are as follows:

Expenditures for capital assets	\$ 434,487	
Depreciation expense	(770,503)	
Loss on asset disposal	(14,688)	(350,704)

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: 785,000

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. 1,138

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	\$ 2,682	
Other postemployment benefits	(75,472)	(72,790)

Change in net position of governmental activities(page 19) \$ (33,266)

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 30,754
Inventories	2,900
Capital assets, net of accumulated depreciation	61,449
Total assets	95,103
Liabilities	
Current liabilities:	
Accounts payable	435
Due to other funds	73,352
Salaries and benefits payable	28,412
Unearned revenue	10,023
Long-term liabilities:	
Net OPEB liability	6,751
Total liabilities	118,973
Net position	
Invested in capital assets	61,449
Unrestricted	(85,319)
Total net position	\$ (23,870)

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, 2014

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 349,638
Miscellaneous	1,435
TOTAL OPERATING REVENUES	351,073
OPERATING EXPENSES:	
Current:	
Operation and maintenance of plant Services	190
Non-instructional programs:	
Food service operations:	
Salaries	182,944
Benefits	44,842
Supplies	341,875
Depreciation	11,286
Other	780
Total non-instructional	581,727
TOTAL OPERATING EXPENSES	581,917
OPERATING LOSS	(230,844)
NON-OPERATING REVENUES:	
State sources	4,661
Federal sources	249,785
Interest income	250
TOTAL NON-OPERATING REVENUES	254,696
Change in net position before other financing sources	23,852
Other financing sources:	
Capital contributions	4,147
Change in net position	27,999
Net position beginning of year	(51,869)
Net position end of year	\$ (23,870)

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 348,841
Cash received from miscellaneous operating activities	1,435
Cash payments to employees for services	(233,345)
Cash payments to suppliers for goods or services	(299,866)
Net cash used in operating activities	(182,935)
Cash flows from non-capital financing activities:	
State grants received	4,661
Federal grants received	208,778
Net cash provided by non-capital financing activities	213,439
Cash flows from investing activities:	
Interest on investments	250
Net increase in cash and cash equivalents	30,754
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	\$ 30,754
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (230,844)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	41,007
Depreciation	11,286
Decrease in inventories	1,596
Increase in accounts payable	376
Decrease in salaries and benefits payable	(6,982)
Decrease in unearned revenue	(797)
Increase in other postemployment benefits payable	1,423
Net cash used in operating activities	\$ (182,935)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$41,007.

During the year ended June 30, 2014, the District received contributed capital from the Capital Projects: Physical Plant and Equipment Levy valued at \$4,147.

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ -</u>
LIABILITIES:	
Excess of warrants issued over bank balance	350
Accounts payable	<u>350</u>
TOTAL LIABILITIES	<u>700</u>
NET POSITION	
Unrestricted	<u>\$ (700)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Donations	\$ <u>650</u>
Deductions:	
Instruction:	
Scholarships awarded	1,000
Supplies	<u>350</u>
Total deductions	<u>1,350</u>
Change in net position	(700)
Net position beginning of year	<u>-</u>
Net position end of year	<u>\$ (700)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment of capital assets 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. Enabling legislation did not result in any restricted net position.

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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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.

The District also reports the following fiduciary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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, Deferred Inflows of Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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 Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collect soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 inflows of resources consist of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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.

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2014 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, 2014, 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, 2014 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, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services and Use Tax	<u>\$ 388,980</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, 2014 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 127,851	75,269	-	203,120
Total capital assets not being depreciated	<u>127,851</u>	<u>75,269</u>	<u>-</u>	<u>203,120</u>
Capital assets being depreciated:				
Buildings	18,068,385	-	-	18,068,385
Land improvements	691,964	119,281	5,000	806,245
Machinery and equipment	2,727,574	239,937	318,052	2,649,459
Total capital assets being depreciated	<u>21,487,923</u>	<u>359,218</u>	<u>323,052</u>	<u>21,524,089</u>
Less accumulated depreciation for:				
Buildings	7,839,060	425,582	-	8,264,642
Land improvements	376,663	87,366	5,000	459,029
Machinery and equipment	1,999,535	257,555	303,364	1,953,726
Total accumulated depreciation	<u>10,215,258</u>	<u>770,503</u>	<u>308,364</u>	<u>10,677,397</u>
Total capital assets being depreciated, net	<u>11,272,665</u>	<u>(411,285)</u>	<u>14,688</u>	<u>10,846,692</u>
Governmental activities capital assets, net	<u>\$ 11,400,516</u>	<u>(336,016)</u>	<u>14,688</u>	<u>11,049,812</u>
	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Business type activities:				
Machinery and equipment	\$ 160,796	4,147	-	164,943
Less accumulated depreciation	92,208	11,286	-	103,494
Business type activities capital assets, net	<u>\$ 68,588</u>	<u>(7,139)</u>	<u>-</u>	<u>61,449</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular \$ 72,483

Support services:

Instructional staff 21,727

Administration 14,913

Operation and maintenance of plant 7,207

Transportation 141,225

257,555

Unallocated depreciation 512,948

Total governmental activities depreciation expense \$ 770,503

Business type activities:

Food services \$ 11,286

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,205,000	-	565,000	640,000	410,000
Revenue bonds	5,175,000	-	220,000	4,955,000	260,000
Compensated absences	18,568	15,886	18,568	15,886	15,886
Net OPEB liability	282,672	75,472	-	358,144	-
Total	\$ 6,681,240	91,358	803,568	5,969,030	685,886
Business type activities:					
Net OPEB liability	\$ 5,328	1,423	-	6,751	-

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 27, 2009			
	Interest Rates	Principal	Interest	Total
2015	2.20-2.40 %	\$ 410,000	12,260	422,260
2016	2.40-2.60	230,000	3,085	233,085
Total		\$ 640,000	15,345	655,345

Revenue Bonds Payable

Details of the District’s June 30, 2014 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
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	2.60	295,000	139,805	434,805
2020-2024	2.90-3.50	1,620,000	553,915	2,173,915
2025-2029	3.60-4.00	1,955,000	238,420	2,193,420
Total		\$ 4,955,000	1,557,130	6,512,130

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 40 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$6,512,130. For the current year, the District paid principal of \$220,000 and interest of \$168,980 on the bonds and total statewide sales, services and use tax revenues were \$1,066,938.

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, 2014, the District paid \$83,499 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 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$751,370, \$697,813 and \$619,459, 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, 2014, 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		12,960
Adjustment to annual required contribution		(11,065)
Annual OPEB cost		<u>209,895</u>
Contributions made		(133,000)
Increase in net OPEB obligation		<u>76,895</u>
Net OPEB obligation beginning of year		<u>288,000</u>
Net OPEB obligation end of year	\$	<u><u>364,895</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, 2014.

For the year ended June 30, 2014, the District contributed \$133,000 to the medical plan. Plan members eligible for benefits contributed \$43,000, or 24.4% 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 162,004	75.9%	\$ 192,004
2013	209,996	54.3%	288,000
2014	209,895	63.4%	364,895

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$6,113,117, and the ratio of the UAAL to covered payroll was 30.7%. As of June 30, 2014, 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 \$488,825 for the year ended June 30, 2014 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, 2014, the Nutrition Fund had deficit unrestricted net position of \$85,319 and a deficit fund balance of \$23,870. The Student Activity Fund had a deficit unassigned fund balance of \$38,576. The Private Purpose Trust Fund had a deficit net position of \$700.

(12) Categorical Funding

The District's ending restricted balances for categorical funding at June 30, 2014 is comprised of the following programs:

Project	Amount
Home school assistance program	\$ 28,575
Gifted and talented	41,411
Iowa early intervention block grant	12,599
Four-year-old preschool state aid	64,392
Successful progression for early readers	19,428
Professional development	12,594
Total categorical funding	<u>\$ 178,999</u>

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government’s proportionate share of the employee pension plan.

(14) Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	455,395	2,970,503
Capital assets, net of accumulated depreciation	11,049,812	-	-
General obligation bond capitalized indebtedness	(640,000)	-	-
Revenue bond capitalized indebtedness	(4,955,000)	-	-
Income Surtax	-	-	534,115
Compensated absences	-	-	(15,886)
Accrued interest payable	-	(1,173)	-
Unassigned student activity fund balance	-	-	(38,576)
Net OPEB liability	-	-	(358,144)
Net position (Exhibit A)	<u>\$ 5,454,812</u>	<u>454,222</u>	<u>3,092,012</u>

(15) Special Investigation

Mid-Prairie Community School District requested the office of the Auditor of State to perform a special investigation of the District as a result of concerns identified after the District's former Business Manager resigned from the District. The special investigation covered the period of July 1, 2012 through June 30, 2014.

The Auditor of State's special investigation report was released on January 16, 2015. Copies of the special investigation report are available at the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1430-4271-BE00.pdf>.

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, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,322,668	351,323	7,673,991	9,396,073	9,396,073	(1,722,082)
State sources	8,418,512	4,661	8,423,173	7,402,919	7,402,919	1,020,254
Federal sources	642,624	249,785	892,409	839,000	839,000	53,409
Total revenues	16,383,804	605,769	16,989,573	17,637,992	17,637,992	(648,419)
Expenditures/Expenses:						
Instruction	10,358,131	-	10,358,131	10,425,000	10,425,000	66,869
Support services	4,245,794	190	4,245,984	4,479,500	4,479,500	233,516
Non-instructional programs	-	581,727	581,727	585,000	585,000	3,273
Other expenditures	2,175,789	-	2,175,789	2,189,250	2,189,250	13,461
Total expenditures/expenses	16,779,714	581,917	17,361,631	17,678,750	17,678,750	317,119
Excess(Deficiency) of revenues over(under) expenditures/expenses	(395,910)	23,852	(372,058)	(40,758)	(40,758)	(331,300)
Other financing sources, net	-	4,147	4,147	-	-	4,147
Excess(Deficiency) of revenues over(under) expenditures/expenses and other financing sources	(395,910)	27,999	(367,911)	(40,758)	(40,758)	(327,153)
Balance beginning of year	6,329,001	(51,869)	6,277,132	6,235,262	6,235,262	(41,870)
Balance end of year	\$ 5,933,091	(23,870)	5,909,221	6,194,504	6,194,504	(369,023)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (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%
2014	July 1, 2012	-	1,874,000	1,874,000	0.00%	6,113,117	30.7%

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, 2014

	Special Revenue		
	Management Levy	Student Activity	Total Special Revenue
ASSETS			
Cash and pooled investments	\$ 115,375	116,349	231,724
Receivables:			
Property tax:			
Delinquent	868	-	868
Succeeding year	206,999	-	206,999
TOTAL ASSETS	\$ 323,242	116,349	439,591
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,438	28,859	32,297
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	206,999	-	206,999
Fund balances:			
Restricted for:			
Management levy purposes	112,805	-	112,805
Student activities	-	126,066	126,066
Unassigned:			
Student activities	-	(38,576)	(38,576)
Total fund balances	112,805	87,490	200,295
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 323,242	116,349	439,591

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, 2014

	Special Revenue		
	Management Levy	Student Activity	Total Special Revenue
REVENUES:			
Local sources:			
Local tax	\$ 140,329	-	140,329
Other	9,969	292,777	302,746
TOTAL REVENUES	<u>150,298</u>	<u>292,777</u>	<u>443,075</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	100,258	-	100,258
Other	-	295,813	295,813
Support services:			
Student	507	-	507
Instructional staff	-	760	760
Operation and maintenance of plant	201,663	-	201,663
Transportation	23,206	-	23,206
TOTAL EXPENDITURES	<u>325,634</u>	<u>296,573</u>	<u>622,207</u>
Change in fund balances	(175,336)	(3,796)	(179,132)
Fund balances beginning of year	<u>288,141</u>	<u>91,286</u>	<u>379,427</u>
Fund balances end of year	<u>\$ 112,805</u>	<u>87,490</u>	<u>200,295</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects	Physical Plant and Equipment Levy	
ASSETS				
Cash and pooled investments	\$ 2,034,192	100,000	197,274	2,331,466
Receivables:				
Property tax:				
Delinquent	-	-	1,519	1,519
Succeeding year	-	-	207,193	207,193
Income surtax	-	-	356,077	356,077
Due from other funds	73,352	-	-	73,352
Due from other governments	315,903	-	-	315,903
TOTAL ASSETS	\$ 2,423,447	100,000	762,063	3,285,510
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 48,771	-	3,570	52,341
Deposits payable	-	100,000	-	100,000
Total liabilities	48,771	100,000	3,570	152,341
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	207,193	207,193
Income surtax	-	-	356,077	356,077
Total liabilities	-	-	563,270	563,270
Fund balances:				
Restricted for:				
Debt service	442,000	-	-	442,000
School infrastructure	1,932,676	-	-	1,932,676
Physical plant and equipment levy	-	-	195,223	195,223
Total fund balances	2,374,676	-	195,223	2,569,899
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,423,447	100,000	762,063	3,285,510

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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	673,834	673,834
Other	2,253	-	2,253
State sources	1,066,938	-	1,066,938
TOTAL REVENUES	1,069,191	673,834	1,743,025
EXPENDITURES:			
Current:			
Instruction:			
Regular	332,503	79,910	412,413
Support services:			
Instructional staff	67,503	60,644	128,147
Administration	-	3,800	3,800
Operation and maintenance of plant	-	14,000	14,000
Transportation	17,175	-	17,175
Capital outlay	366,435	340,222	706,657
TOTAL EXPENDITURES	783,616	498,576	1,282,192
Excess of revenues over expenditures	285,575	175,258	460,833
Other financing uses:			
Transfer out	(388,980)	-	(388,980)
Change in fund balances	(103,405)	175,258	71,853
Fund balance beginning of year	2,478,081	19,965	2,498,046
Fund balance end of year	\$ 2,374,676	195,223	2,569,899

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, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama Workshop	\$ 7,369	7,663	4,648	-	10,384
Athletics (Donations)	3,601	50,075	52,980	1,027	1,723
Athletics	14	61,679	67,973	(28,894)	(35,174)
Annual	16,925	7,822	4,314	-	20,433
Soccer Fundraising	6,203	4,820	6,354	-	4,669
Class of 2013	200	-	200	-	-
Class of 2014	2,270	2,940	4,315	-	895
Class of 2015	-	9,302	5,478	-	3,824
Renaissance	5,516	4,316	3,626	-	6,206
Post Prom	3,526	13,318	12,912	-	3,932
FFA	8,950	32,754	30,411	-	11,293
Film Club	-	200	-	-	200
Athletic Resale	-	130	130	(881)	(881)
Librarians Club	190	-	-	(190)	-
Miscellaneous	5,096	-	2,584	(2,512)	-
Newspaper	93	-	-	(93)	-
Baseball	-	168	343	(1,724)	(1,899)
Boys Basketball	3,433	12,315	13,680	-	2,068
Girls Basketball	1,572	9,185	9,851	8,000	8,906
Cheerleading	372	2,131	13,791	12,000	712
Football	6,674	29,167	24,801	-	11,040
Girls Golf	-	319	613	-	(294)
Boys Golf	-	147	147	(328)	(328)
Boys Soccer	273	10,111	10,337	3,800	3,847
Cross Country	298	987	595	-	690
Track	493	1,717	968	-	1,242
Volleyball	4,970	8,820	14,400	7,000	6,390
Girls Soccer	120	3,512	2,143	-	1,489
Softball	-	3,086	1,520	-	1,566
Wrestling	557	500	228	-	829
Soda Club	2,199	-	-	(2,199)	-
FCCLA (Seward)	1,153	5,970	2,445	-	4,678
High School Student Council	3,832	4,079	2,177	4,994	10,728
Wellness	1,656	-	-	-	1,656
Dance Team	3,731	5,544	2,609	-	6,666
Total	\$ 91,286	292,777	296,573	-	87,490

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 5,246,273	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
Tuition	1,451,238	1,376,781	1,418,826	1,305,059	1,160,192	933,397	984,572	894,017	692,869	627,395
Other	625,157	946,531	951,990	822,275	730,304	708,506	696,022	674,764	559,225	521,031
State sources	8,418,512	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
Federal sources	642,624	635,973	1,083,026	1,714,934	1,205,901	936,591	858,672	627,300	452,753	484,722
Total	\$ 16,383,804	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
Expenditures:										
Instruction	\$ 6,741,838	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
Regular	1,722,126	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
Special	1,894,167	1,810,855	2,024,754	2,847,204	2,378,957	1,903,211	984,557	1,017,291	617,753	844,883
Other										
Support services:										
Student	260,080	202,776	194,901	174,402	176,092	206,367	233,047	205,463	228,264	217,976
Instructional staff	564,674	540,709	560,597	423,011	460,310	484,953	436,973	418,258	423,256	223,188
Administration	1,599,558	1,360,350	1,161,481	1,081,186	1,081,281	952,790	926,113	915,715	908,776	835,003
Operation and maintenance of plant	1,145,504	1,090,448	952,569	922,093	764,278	1,064,478	907,873	884,833	854,623	803,747
Transportation	675,978	836,170	709,609	537,870	749,436	653,787	492,551	595,379	450,232	513,750
Non-instructional programs	-	-	-	-	3,450	17,854	-	-	-	-
Capital outlay	706,657	558,908	3,465,414	3,353,819	1,374,745	524,834	544,243	506,305	297,159	420,974
Long-term debt:										
Principal	785,000	550,000	550,000	355,000	355,000	2,920,000	305,000	295,000	275,000	280,000
Interest and fiscal charges	195,307	207,676	319,388	158,009	53,355	156,505	127,792	137,428	146,391	154,436
Other expenditures:										
AEA flow-through	488,825	457,796	457,982	504,572	488,089	445,538	414,074	397,136	364,300	350,130
Total	\$ 16,779,714	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY14	\$ 25,420
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY14	224,365 *
			<u>249,785</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY14	300,555
TITLE I GRANTS - SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 14	13,204
			<u>313,759</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY14	<u>1,405</u>
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY14	<u>22,081</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY14	<u>67,629</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY14	<u>6,952</u>
U.S. DEPARTMENT OF EDUCATION:			
GRANT WOOD AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY14	<u>58,085</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY13	<u>21,850</u>
TOTAL			<u>\$ 741,546</u>

* Includes \$41,007 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2015.

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-14 thru II-C-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-14 to be a significant deficiency.

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, 2014 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.

January 6, 2015
Newton, Iowa

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**Independent Auditor's Report on Compliance for Each
Major Federal Program and on Internal Control over Compliance
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, 2014. 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, 2014.

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-14 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.

January 6, 2015
Newton, Iowa

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and 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-14 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. Additionally, the District is in conversations with an external independent outside accounting firm to perform unannounced reviews of the current named activities and processes, above. Extensive documentation of procedures has been undertaken.

Conclusion - Response accepted.

- II-B-14 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited Inc. This training helps in providing instruction as well as promotes networking of other accounting personnel.

Necessary adjustments to be made for proper recognition of amounts of receivables and payables were not being completed accurately.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every District. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District is sending the New Business Manager to both required School Business Officer Training and Software training. The School Business Officer licensing involves a two year training regimen in which the New Business Manager is actively participating.

Conclusion - Response accepted.

- II-C-14 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 New District Business Manager is performing monthly bank reconciliations for all bank accounts and has implemented additional detailed monthly procedures to assure that the cash position of the District is known and reliable. Use of an external independent outside accounting firm to perform unannounced reviews is part of assuring the continuance of this process.

Conclusion - Response accepted.

II-D-14 P-Card Reconciliation - We noted during our audit that the District did not reconcile P-Card activity on a timely basis. We also noted that the District lacked supporting documentation for several P-Card purchases.

Recommendation - The lack of timely reconciliations and organized supporting documentation for the P-Cards makes it impossible to audit the appropriateness of several of the expenditures. The District should maintain invoices or supporting documentation for all activity on the District's P-Cards.

Response - The District has completely closed down the P-Card program effective July 1, 2014. It will not be re-initiated until further notice. If, at some point, in the future, a P-Card program is instituted it will be on a much reduced, limited basis.

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: 2014
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: 2014
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of the internal control structure is the (2014-001) 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. Additionally, the District is in conversations with an external independent outside accounting firm to perform unannounced reviews of the current named activities and processes, above. Extensive documentation of procedures has been undertaken.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amount budgeted.

IV-B-14 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 - The District has notified employees involved with working with the after-prom committee of this restriction. We are also reviewing other opportunities to move the after-prom committee funds from the District banking activity to alternative, non-district controlled groups.

Conclusion - Response accepted.

IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-14 Business Transactions - Business transactions between District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Stacia Bontrager, Board Member Owns Stacia's Catering & Baking	Supplies	\$ 2,100
Erin Kirchoff, Teacher Owns the Locket	Supplies	\$ 279

In accordance with 279.7A of the Code of Iowa, the above transactions with the Board Member do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District employee do not appear to represent a conflict of interest.

IV-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 1.0.

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

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

Conclusion - Response accepted.

IV-H-14 Supplementary Weighting - We noted no variances regarding the supplementary weighting data certified to the Iowa Department of Education.

IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 Statewide Sales, Services and Use Tax - According to the District's revenue purpose statement, statewide sales, services and use tax money can be spent for PPEL type expenditures. According to Chapter 298.3 of the Code of Iowa, PPEL monies may not be used for preventative and routine maintenance. We noted during our audit that the District had expenditures of \$2,204.25 in unallowable repairs and maintenance.

Recommendation - The District should review the revenue purpose statement for the use of statewide sales, services and use tax as well as Chapter 298.3 of the Code of Iowa with regard to allowable expenditures from PPEL Funds to avoid noncompliance. Since the District had allowable Statewide Sales, Services and Use Fund expenditures from the General Fund, we did not request a corrective transfer on the financial statements.

Response - The District Accounting Staff will review the District's revenue purpose statement as well as Chapter 298.3 of the Code of Iowa with regard to the allowable expenditures from PPEL Funds in order to refrain from disallowed expenditures and re-train our understanding of the code.

Conclusion - Response accepted.

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, 2014, 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 2014 audit:

Beginning balance		\$	2,478,081
Revenues:			
Sales tax revenues	\$	1,066,938	
Other local revenues		2,253	1,069,191
Total revenues			<u>3,547,272</u>
Expenditures/transfers out:			
School infrastructure construction	\$	222,207	
Equipment		363,332	
Other		198,077	
Transfer to another fund:			
Debt service fund		388,980	1,172,596
Ending balance		\$	<u><u>2,374,676</u></u>

For the year ended June 30, 2014, 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-14 Physical Plant and Equipment Levy(PPEL) Expenditures - We noted during our audit that the District made purchases from the PPEL Fund which do not appear to be in compliance with Chapter 423 and 298.3 of the Code of Iowa. The District had expenditures of \$75,762.03 for preventative maintenance and repairs.

Recommendation - Expenditures for preventative maintenance are more appropriate from the General Fund. The District should review Chapter 423 and Chapter 298 of the Code of Iowa for allowability of expenditures from the PPEL Fund. Since the District had allowable PPEL expenditures from the General Fund, we did not request a corrective transfer on the financial statements.

Response - The District Accounting Staff will review Chapter 423 and Chapter 298 with regard to the allowable expenditures from PPEL Funds in order to refrain from disallowed expenditures and re-train our understanding of the code.

Conclusion - Response accepted.

IV-N-14 Financial Condition - At June 30, 2014, the Enterprise, School Nutrition Fund had an unrestricted net position deficit balance of \$85,319 and a deficit fund balance of \$23,870. The District had several accounts in the Special Revenue, Student Activity Fund that had deficit balances at the end of the year totaling \$38,576. The Private Purpose Trust Fund had a deficit net position at June 30, 2014 of \$700.

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

Response - The District is investigating the deficit issues. The Private Purpose Trust Fund issue for \$700 has been resolved in Fiscal Year 2015. The other two areas working through these and are recognized as long term work out issues, especially the Nutrition Fund. We are seeking resolution on the Activity Fund deficit balance by more directly reviewing procedures that led up to the deficits being created in Fiscal Year 2014.

Conclusion - Response accepted.

IV-O-14 Termination Benefit - We noted during our audit that a termination benefit for a former employee was being paid from the Management Levy Fund. However this employee was not between the ages of 55 to 65 at the time their benefits began. In accordance with Chapter 298.4 of the Code of Iowa, termination benefits are allowable from the Management Levy Fund if the employee is within the age range of 55 to 65 at the time of retirement. We are requesting a corrective transfer of \$5,382.50 from the General Fund to the Management Levy Fund for the termination benefit expenditures paid from the incorrect fund.

Recommendation - The District should have the Board of Directors approved the repayment of \$5,382.50 from the General Fund to the Management Levy Fund as a correction for the termination benefits expenditures paid from the incorrect fund.

Response - The District's School Board approved the repayment of this benefit at the December 12, 2014, meeting.

Conclusion - Response accepted.

IV-P-14 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2014, the District has a loan between the Nutrition Fund and the Capital Projects: Statewide Sales, Services and Use Tax Fund that have not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2009, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue external loans to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should issue external debt to repay the interfund loans to be in compliance with the declaratory order issued by the Iowa Department of Education to the Auditor of State and Iowa Code Chapter 74.

Response - At the December 12, 2014 School Board Meeting, the Board of Directors unanimously approved an interfund loan between the SAVE (Fund 33) and the Nutrition Fund (Fund 61) for \$73,351.51, plus interest at 0.01% per annum, beginning June 30, 2013, for the purpose of removing the operating deficit in the Nutrition Fund. Further,

it was recognized that the original note was due both October 1, 2013, and October 1, 2014. Finally, it was recognized that the new loan is due October 1, 2015. At the District's On-site Nutrition Review, the interfund loan action noted above was discussed with the Department of Education's field representative and the continued positive financial progress made in the Nutrition Fund.

Conclusion - Response accepted.

IV-Q-14 Private Purpose Trust - We noted during our audit that the District purchased software from the Private Purpose Trust Fund. The purchasing of software would appear to be more instructional in nature, and would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Private Purpose Trust Fund. The purchase of software appears to be more instructional in nature and would be more appropriate from the General Fund.

Response - The current balance in the Private Purpose Trust as of November 30, 2014 is \$200. The District employees who have influenced the creation of the Private Purpose Trust are aware of the singular use going forward for Scholarship only. We will also seek to close the Trust appropriately and with appropriate documentation.

Conclusion - Response accepted.