

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

JUNE 30, 2015

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## Mid-Prairie Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
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
Jodi Meader	(Resigned March 18, 2015) Board Member	2015
	(Appointed April 13, 2015)	
<b>School Officials</b>		
Mark Schneider	Superintendent	2015
Jeffrey Swartzentruber	District Secretary/Treasurer	2015
Joseph Holland	Attorney	2015

**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, 2015, 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, 2015, 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.

### **Emphasis of Matter**

As discussed in Note 15 to the financial statements, Mid-Prairie Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 18 and 46 through 52 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 three years ended June 30, 2014 (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 year 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 February 2, 2016 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.

February 2, 2016  
Newton, Iowa

**MID-PRAIRIE COMMUNITY SCHOOL DISTRICT**

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

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The Mid-Prairie Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$13,604,661 in fiscal 2014 to \$13,845,649 in fiscal 2015, while General Fund expenditures increased from \$13,895,008 in fiscal 2014 to \$14,542,784 in fiscal 2015. The District's General Fund balance decreased from \$3,149,502 in fiscal 2014 to a balance of \$2,452,367 in fiscal 2015, a 22.13% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local sources in fiscal 2015. The increase in expenditures was partly due to an increase in negotiated salaries and benefits paid to District employees.

### **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, the District's proportionate share of the net pension liability and related contributions, 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.

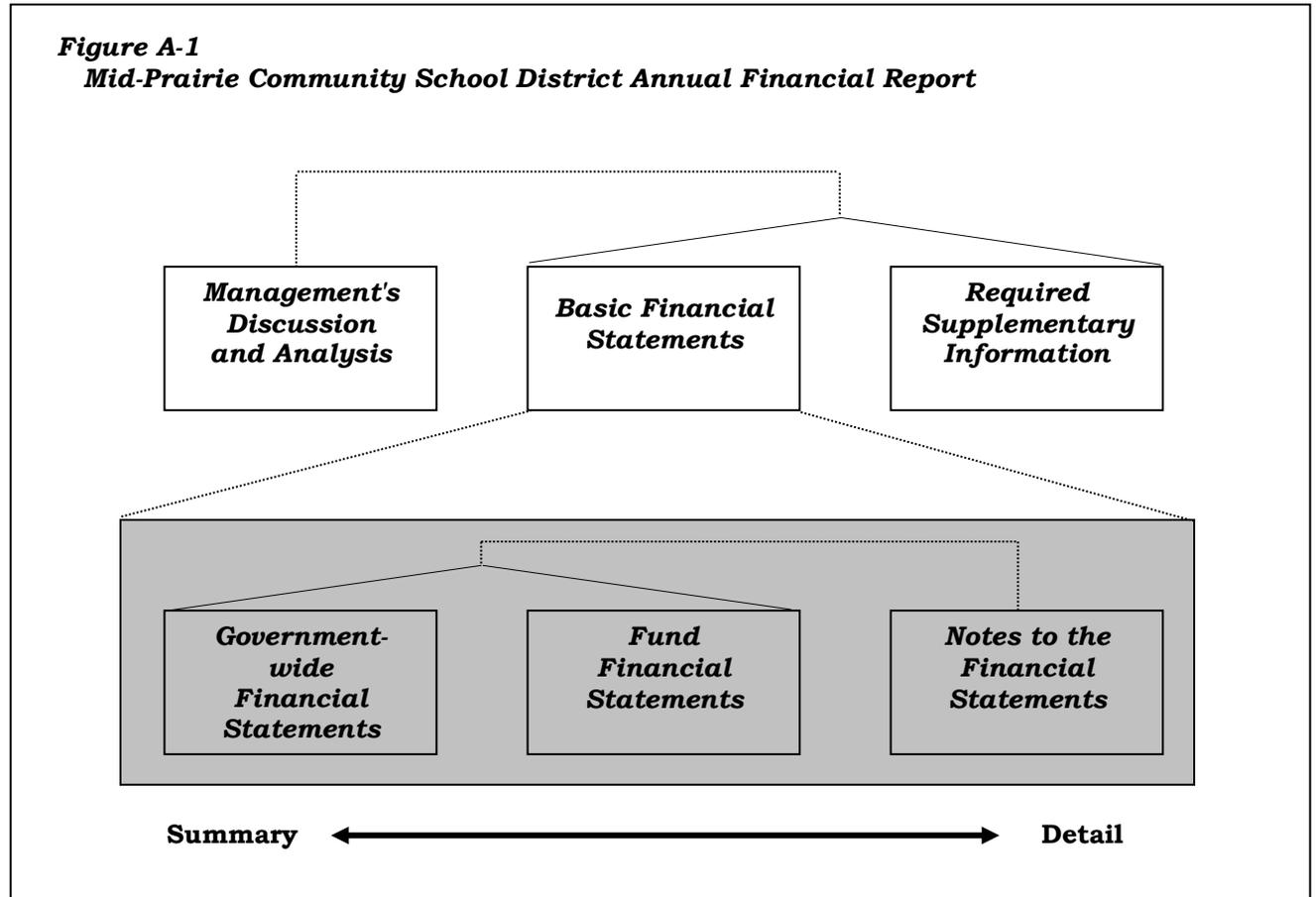


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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 service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
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.

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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, 2015 compared to June 30, 2014.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 22,484,381	13,267,842	54,553	33,654	22,538,934	13,301,496	69.45%
Capital assets	13,012,514	11,049,812	73,761	61,449	13,086,275	11,111,261	17.77%
Total assets	35,496,895	24,317,654	128,314	95,103	35,625,209	24,412,757	45.93%
Deferred outflows of resources	1,121,127	-	24,536	-	1,145,663	-	100.00%
Long-term liabilities	20,680,658	5,969,030	115,901	6,751	20,796,559	5,975,781	248.01%
Other liabilities	2,841,236	1,911,429	116,779	112,222	2,958,015	2,023,651	46.17%
Total liabilities	23,521,894	7,880,459	232,680	118,973	23,754,574	7,999,432	196.95%
Deferred inflows of resources	7,313,848	4,890,380	40,846	-	7,354,694	4,890,380	50.39%
Net position:							
Net investment in capital assets	5,844,211	5,454,812	73,761	61,449	5,917,972	5,516,261	7.28%
Restricted	2,773,466	2,999,991	-	-	2,773,466	2,999,991	-7.55%
Unrestricted	(2,835,397)	3,092,012	(194,437)	(85,319)	(3,029,834)	3,006,693	-200.77%
Total net position	\$ 5,782,280	11,546,815	(120,676)	(23,870)	5,661,604	11,522,945	-50.87%

The District's combined net position decreased by 50.87%, or \$5,861,341, 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 \$226,525 or 7.51%, over the prior year. The decrease is primarily due to the decrease in the Capital Projects: Statewide Sales, Services and Use Tax and Capital Projects: Physical Plant and Equipment Levy.

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 \$6,036,527, or 200.77%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$6,165,205 and \$132,246, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4  
Changes of Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 2,047,552	1,991,675	351,471	349,638	2,399,023	2,341,313	2.46%
Operating grants and contributions and restricted interest	1,481,463	1,507,968	271,437	254,446	1,752,900	1,762,414	-0.54%
Capital grants and contributions and restricted interest	-	2,216	-	-	-	2,216	-100.00%
General revenues:							
Property tax	4,935,810	4,552,715	-	-	4,935,810	4,552,715	8.41%
Income surtax	1,067,095	693,558	-	-	1,067,095	693,558	53.86%
Statewide sales, services and use tax	1,178,753	1,066,938	-	-	1,178,753	1,066,938	10.48%
Unrestricted state grants	6,484,321	6,492,018	-	-	6,484,321	6,492,018	-0.12%
Unrestricted investment earnings	27,091	12,685	360	250	27,451	12,935	112.22%
Other	300,723	64,031	5,120	1,435	305,843	65,466	367.18%
Total revenues and transfers	17,522,808	16,383,804	628,388	605,769	18,151,196	16,989,573	6.84%
Program expenses:							
Governmental activities:							
Instruction	10,474,566	10,451,607	-	-	10,474,566	10,451,607	0.22%
Support services	4,990,710	4,765,374	604	190	4,991,314	4,765,564	4.74%
Non-instructional programs	-	-	615,578	581,727	615,578	581,727	5.82%
Other expenses	1,633,628	1,195,942	-	-	1,633,628	1,195,942	36.60%
Total expenses	17,098,904	16,412,923	616,182	581,917	17,715,086	16,994,840	4.24%
Excess(Deficiency) of revenues over(under)expenses	423,904	(29,119)	12,206	23,852	436,110	(5,267)	-8380.05%
Transfers	(23,234)	(4,147)	23,234	4,147	-	-	0.00%
Change in net position	400,670	(33,266)	35,440	27,999	436,110	(5,267)	-8380.05%
Beginning net position, as restated	5,381,610	11,580,081	(156,116)	(51,869)	5,225,494	11,528,212	-54.67%
Ending net position	\$ 5,782,280	11,546,815	(120,676)	(23,870)	5,661,604	11,522,945	-50.87%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 77.99% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.13% of the revenue from business type activities.

The District's total revenues were approximately \$18.15 million of which approximately \$17.52 million was for governmental activities and approximately \$0.63 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 6.84% increase in revenues and a 4.24% 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 \$17,522,808 and expenses were \$17,098,904.

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, 2015 compared to the year ended June 30, 2014.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
	Instruction	\$ 10,474,566	10,451,607	0.22%	7,616,511	7,621,276
Support services	4,990,710	4,765,374	4.73%	4,833,471	4,582,671	5.47%
Other expenses	1,633,628	1,195,942	36.60%	1,119,907	707,117	58.38%
Totals	\$ 17,098,904	16,412,923	4.18%	13,569,889	12,911,064	5.10%

- The cost financed by users of the District's programs was \$2,047,552.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,481,463.
- The net cost of governmental activities was financed with \$4,935,810 in property tax, \$1,067,095 in income surtax, \$1,178,753 in statewide sales, services and use tax, \$6,484,321 in unrestricted state grants, \$27,091 in interest income and \$300,723 in other general revenues net of transfers.

### Business Type Activities

Revenues of the District's business type activity were \$628,388 and expenses were \$616,182. 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 \$13,286,924, above last year's ending fund balances of \$5,933,091. The primary reason for the increase is associated with the increase in the Capital Projects accounts balance.

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## **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. The fund balance decreased from \$3,149,502 in fiscal 2014 to \$2,452,367 in fiscal 2015. 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 \$2,569,899 in fiscal 2014 to \$10,618,548 in fiscal 2015. The increase is primarily due to the District issuing general obligation bonds for the elementary and middle school renovation construction projects.
- The Debt Fund balance increased from \$13,395 in fiscal 2014 to \$13,486 in fiscal 2015. 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 \$156,116 in fiscal 2014 to a deficit balance of \$120,676 in fiscal 2015. This represents an increase of 22.70% from 2014 to 2015.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Mid-Prairie Community School District amended its budget one time to reflect additional expenditures for the Nutrition Fund.

The District's revenues were \$201,565 less than budgeted revenues, a variance of 1.13%. The most significant variance resulted from the District receiving less in local 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, 2015, the District had invested \$13,086,275 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 an increase of 17.77% 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 \$970,839.

The original cost of the District's capital assets was \$24,374,101. Governmental funds account for \$24,185,924 with the remainder of \$188,177 in the Proprietary, School Nutrition.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2014 as compared to \$2,307,632 at June 30, 2015.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 203,120	203,120	-	-	203,120	203,120	0.00%
Construction in progress	2,307,632	-	-	-	2,307,632	-	100.00%
Buildings	9,361,701	9,803,743	-	-	9,361,701	9,803,743	-4.51%
Land improvements	306,731	347,216	-	-	306,731	347,216	-11.66%
Machinery and equipment	833,330	695,733	73,761	61,449	907,091	757,182	19.80%
Total	\$ 13,012,514	11,049,812	73,761	61,449	13,086,275	11,111,261	17.77%

### Long-Term Debt

At June 30, 2015, the District had \$20,796,559 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 \$10,550,000 at June 30, 2015.
- The District had total outstanding revenue bonds payable of \$4,695,000 at June 30, 2015.
- The District had compensated absences payable of \$27,081 at June 30, 2015.
- The District had termination benefits payable of \$5,382 at June 30, 2015.
- The District had net pension liability payable of \$5,100,096 at June 30, 2015. Governmental activities account for \$4,992,994 and business type activities account for \$107,102.
- The District had OPEB payable of \$419,000 at June 30, 2015. Governmental activities account for \$410,201 and business type activities account for \$8,799.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
General obligation bonds	\$ 10,550,000	640,000	-	-	10,550,000	640,000	1548.44%
Revenue bonds	4,695,000	4,955,000	-	-	4,695,000	4,955,000	-5.25%
Compensated absences	27,081	15,886	-	-	27,081	15,886	70.47%
Termination benefits	5,382	-	-	-	5,382	-	100.00%
Net pension liability	4,992,994	-	107,102	-	5,100,096	-	100.00%
Other post employment benefits	410,201	358,144	8,799	6,751	419,000	364,895	14.83%
Total	\$ 20,680,658	5,969,030	115,901	6,751	20,796,559	5,975,781	248.01%

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## **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.
- On December 10, 2014 the Keota Community School District's School Board voted 3-2 to NOT extend the Sharing Agreement for a Superintendent for fiscal year 2017. The current Sharing Agreement will continue to its intended conclusion on June 30, 2016. As of January 27, 2016, the two Districts did agree to continue sharing the School Nurse, School Librarian, and Elementary School Counselor at the same percentages during the 2017 Fiscal Year. Only the Elementary School Counselor has State Operational Sharing incentives attached to it. The Mid-Prairie School District is actively pursuing other Operational Sharing opportunities with other school districts for the 2017 Fiscal Year though none have been publically announced or finalized as of this date.

## **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, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 15,532,039	49,681	15,581,720
Receivables:			
Property tax:			
Delinquent	43,199	-	43,199
Succeeding year	5,409,664	-	5,409,664
Income surtax	970,715	-	970,715
Accounts	7,240	-	7,240
Due from other funds	73,352	710	74,062
Due from other governments	448,172	-	448,172
Inventories	-	4,162	4,162
Capital assets, net of accumulated depreciation	13,012,514	73,761	13,086,275
<b>TOTAL ASSETS</b>	<b>35,496,895</b>	<b>128,314</b>	<b>35,625,209</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	1,121,127	24,536	1,145,663
<b>LIABILITIES</b>			
Accounts payable	1,292,221	-	1,292,221
Due to other funds	710	73,352	74,062
Salaries and benefits payable	1,524,147	32,990	1,557,137
Accrued interest payable	24,158	-	24,158
Unearned revenue	-	10,437	10,437
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	715,000	-	715,000
Revenue bonds payable	265,000	-	265,000
Termination benefits payable	5,382	-	5,382
Compensated absences payable	27,081	-	27,081
Portion due after one year:			
General obligation bonds payable	9,835,000	-	9,835,000
Revenue bonds payable	4,430,000	-	4,430,000
Net pension liability	4,992,994	107,102	5,100,096
Net OPEB liability	410,201	8,799	419,000
<b>TOTAL LIABILITIES</b>	<b>23,521,894</b>	<b>232,680</b>	<b>23,754,574</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	1,904,184	40,846	1,945,030
Unavailable property tax revenue	5,409,664	-	5,409,664
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,313,848</b>	<b>40,846</b>	<b>7,354,694</b>
<b>NET POSITION</b>			
Net investment in capital assets	5,844,211	73,761	5,917,972
Restricted for:			
Categorical funding	45,146	-	45,146
Debt service	431,328	-	431,328
School infrastructure	1,928,829	-	1,928,829
Physical plant and equipment levy	171,022	-	171,022
Management levy purposes	44,563	-	44,563
Student activities	152,578	-	152,578
Unrestricted	(2,835,397)	(194,437)	(3,029,834)
<b>TOTAL NET POSITION</b>	<b>\$ 5,782,280</b>	<b>(120,676)</b>	<b>5,661,604</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	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
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 6,856,414	1,295,979	26,881	-	(5,533,554)	-	(5,533,554)
Special	1,791,620	208,104	176,306	-	(1,407,210)	-	(1,407,210)
Other	1,826,532	408,874	741,911	-	(675,747)	-	(675,747)
	<u>10,474,566</u>	<u>1,912,957</u>	<u>945,098</u>	<u>-</u>	<u>(7,616,511)</u>	<u>-</u>	<u>(7,616,511)</u>
Support services:							
Student	369,684	-	-	-	(369,684)	-	(369,684)
Instructional staff	552,932	-	-	-	(552,932)	-	(552,932)
Administration	1,793,581	59,401	-	-	(1,734,180)	-	(1,734,180)
Operation and maintenance of plant	1,112,648	66,191	-	-	(1,046,457)	-	(1,046,457)
Transportation	1,161,865	9,003	22,644	-	(1,130,218)	-	(1,130,218)
	<u>4,990,710</u>	<u>134,595</u>	<u>22,644</u>	<u>-</u>	<u>(4,833,471)</u>	<u>-</u>	<u>(4,833,471)</u>
Long-term debt interest	434,118	-	-	-	(434,118)	-	(434,118)
Other expenses:							
AEA flowthrough	513,721	-	513,721	-	-	-	-
Depreciation (unallocated)*	685,789	-	-	-	(685,789)	-	(685,789)
	<u>1,199,510</u>	<u>-</u>	<u>513,721</u>	<u>-</u>	<u>(685,789)</u>	<u>-</u>	<u>(685,789)</u>
Total governmental activities	17,098,904	2,047,552	1,481,463	-	(13,569,889)	-	(13,569,889)
Business type activities:							
Support services:							
Operation and maintenance of plant	604	-	-	-	-	(604)	(604)
Non-instructional programs:							
Nutrition services	615,578	351,471	271,437	-	-	7,330	7,330
Total business type activities	<u>616,182</u>	<u>351,471</u>	<u>271,437</u>	<u>-</u>	<u>-</u>	<u>6,726</u>	<u>6,726</u>
Total	<u>\$ 17,715,086</u>	<u>2,399,023</u>	<u>1,752,900</u>	<u>-</u>	<u>(13,569,889)</u>	<u>6,726</u>	<u>(13,563,163)</u>
<b>General Revenues &amp; Transfers:</b>							
Property tax levied for:							
General purposes				\$ 3,851,294	-		3,851,294
Debt service				875,446	-		875,446
Capital outlay				209,070	-		209,070
Income surtax				1,067,095	-		1,067,095
Statewide sales, services and use tax				1,178,753	-		1,178,753
Unrestricted state grants				6,484,321	-		6,484,321
Unrestricted investment earnings				27,091	360		27,451
Other				300,723	5,120		305,843
Transfers				(23,234)	23,234		-
Total general revenues & transfers				<u>13,970,559</u>	<u>28,714</u>		<u>13,999,273</u>
Change in net position				400,670	35,440		436,110
Net position beginning of year, as restated				<u>5,381,610</u>	<u>(156,116)</u>		<u>5,225,494</u>
Netposition end of year				<u>\$ 5,782,280</u>	<u>(120,676)</u>		<u>5,661,604</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, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 3,888,859	11,425,057	5,961	212,162	15,532,039
Receivables:					
Property tax					
Delinquent	32,039	1,797	7,525	1,838	43,199
Succeeding year	3,774,764	216,729	998,171	420,000	5,409,664
Income surtax	554,694	416,021	-	-	970,715
Accounts	7,240	-	-	-	7,240
Due from other funds	-	73,352	-	-	73,352
Due from other governments	264,893	183,279	-	-	448,172
<b>TOTAL ASSETS</b>	<b>\$ 8,522,489</b>	<b>12,316,235</b>	<b>1,011,657</b>	<b>634,000</b>	<b>22,484,381</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ 710	-	-	-	710
Accounts payable	215,999	1,064,937	-	11,285	1,292,221
Salaries and benefits payable	1,523,955	-	-	192	1,524,147
Total liabilities	1,740,664	1,064,937	-	11,477	2,817,078
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	3,774,764	216,729	998,171	420,000	5,409,664
Income surtax	554,694	416,021	-	-	970,715
Total deferred inflows of resources	4,329,458	632,750	998,171	420,000	6,380,379
Fund balances:					
Restricted for:					
Categorical funding	45,146	-	-	-	45,146
Debt service	-	442,000	13,486	-	455,486
School infrastructure	-	10,005,526	-	-	10,005,526
Physical plant and equipment levy	-	171,022	-	-	171,022
Management levy purposes	-	-	-	49,945	49,945
Student activities	-	-	-	152,578	152,578
General Fund	2,407,221	-	-	-	2,407,221
Total fund balances	2,452,367	10,618,548	13,486	202,523	13,286,924
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 8,522,489</b>	<b>12,316,235</b>	<b>1,011,657</b>	<b>634,000</b>	<b>22,484,381</b>

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, 2015

<b>Total fund balances of governmental funds (page 22)</b>	\$	13,286,924
 <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.		13,012,514
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.		970,715
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.		(24,158)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,121,127	
Deferred inflows of resources	<u>(1,904,184)</u>	(783,057)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, termination benefits, net pension liability, 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.		<u>(20,680,658)</u>
<b>Net position of governmental activities (page 20)</b>	<b>\$</b>	<b><u>5,782,280</u></b>

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, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 3,852,535	629,386	875,446	208,938	5,566,305
Tuition	1,500,645	-	-	-	1,500,645
Other	530,316	16,667	497	329,878	877,358
State sources	7,293,724	1,178,920	701	126	8,473,471
Federal sources	668,429	-	-	-	668,429
Total revenues	13,845,649	1,824,973	876,644	538,942	17,086,208
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	6,314,274	582,746	-	88,328	6,985,348
Special	1,834,457	-	-	-	1,834,457
Other	1,651,804	-	-	251,075	1,902,879
	9,800,535	582,746	-	339,403	10,722,684
Support services:					
Student	359,786	-	-	379	360,165
Instructional staff	439,373	111,541	-	560	551,474
Administration	1,771,591	22,447	-	-	1,794,038
Operation and maintenance of plant	1,008,555	10,470	-	174,995	1,194,020
Transportation	643,841	360,790	-	26,759	1,031,390
	4,223,146	505,248	-	202,693	4,931,087
Capital outlay	-	2,806,546	-	-	2,806,546
Long-term debt:					
Principal	-	-	990,000	-	990,000
Interest and fiscal charges	-	-	411,133	-	411,133
	-	-	1,401,133	-	1,401,133
Other expenditures:					
AEA flowthrough	513,721	-	-	-	513,721
TOTAL EXPENDITURES	14,537,402	3,894,540	1,401,133	542,096	20,375,171
Excess(Deficiency) of revenues over(under) expenditures	(691,753)	(2,069,567)	(524,489)	(3,154)	(3,288,963)
Other financing sources(uses):					
Transfer in	-	-	524,580	5,382	529,962
Transfer out	(5,382)	(524,580)	-	-	(529,962)
Issuance of general obligation bonds	-	10,640,000	-	-	10,640,000
Premium on issuance of general obligation bonds	-	189,649	-	-	189,649
Discount on issuance of general obligation bonds	-	(186,853)	-	-	(186,853)
Total other financing sources(uses)	(5,382)	10,118,216	524,580	5,382	10,642,796
Change in fund balances	(697,135)	8,048,649	91	2,228	7,353,833
Fund balance beginning of year	3,149,502	2,569,899	13,395	200,295	5,933,091
Fund balance end of year	\$ 2,452,367	10,618,548	13,486	202,523	13,286,924

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, 2015

**Change in fund balances - total governmental funds (page 24)** \$ 7,353,833

*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	\$ 2,928,619	
Depreciation expense	(959,917)	
Loss on asset disposal	<u>(6,000)</u>	1,962,702

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:

Issued	(10,640,000)	
Repaid	<u>990,000</u>	(9,650,000)

Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 436,600

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. (22,985)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 778,706

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	\$ (11,195)	
Termination benefits	(5,382)	
Pension expense	(389,552)	
Other postemployment benefits	<u>(52,057)</u>	<u>(458,186)</u>

**Change in net position of governmental activities (page 21)** \$ 400,670

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2015

	<u>School</u> <u>Nutrition</u>
Assets	
Current assets:	
Cash and pooled investments	\$ 49,681
Due from other funds	710
Inventories	4,162
Total current assets	<u>54,553</u>
Non-current assets:	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>73,761</u>
Total assets	<u>128,314</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>24,536</u>
Liabilities	
Current liabilities:	
Due to other funds	73,352
Salaries and benefits payable	32,990
Unearned revenue	10,437
Total current liabilities	<u>116,779</u>
Noncurrent liabilities:	
Net OPEB liability	8,799
Net pension liability	107,102
Total noncurrent liabilities	<u>115,901</u>
Total liabilities	<u>232,680</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>40,846</u>
Net position	
Invested in capital assets	73,761
Unrestricted	(194,437)
Total net position	<u>\$ (120,676)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2015

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 351,471
Miscellaneous	5,120
TOTAL OPERATING REVENUES	356,591
OPERATING EXPENSES:	
Current:	
Administration:	
Other	9
Operation and maintenance of plant:	
Services	595
	604
Non-instructional programs:	
Food service operations:	
Salaries	203,164
Benefits	52,485
Supplies	348,772
Depreciation	10,922
Other	235
Total non-instructional	615,578
TOTAL OPERATING EXPENSES	616,182
OPERATING LOSS	(259,591)
NON-OPERATING REVENUES:	
State sources	5,456
Federal sources	265,981
Interest income	360
TOTAL NON-OPERATING REVENUES	271,797
Change in net position before other financing sources	12,206
Other financing sources:	
Capital contributions	23,234
Change in net position	35,440
Net position beginning of year, as restated	(156,116)
Net position end of year	\$ (120,676)

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 351,885
Cash received from miscellaneous operating activities	5,120
Cash payments to employees for services	(257,857)
Cash payments to suppliers for goods or services	(307,857)
Net cash used in operating activities	(208,709)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	(710)
State grants received	5,456
Federal grants received	222,530
Net cash provided by non-capital financing activities	227,276
Cash flows from investing activities:	
Interest on investments	360
Net increase in cash and cash equivalents	18,927
Cash and cash equivalents at beginning of year	30,754
Cash and cash equivalents at end of year	\$ 49,681
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (259,591)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	43,451
Depreciation	10,922
Increase in inventories	(1,262)
Decrease in accounts payable	(435)
Increase in salaries and benefits payable	4,578
Increase in unearned revenue	414
Decrease in net pension liability	(40,925)
Increase in deferred outflows of resources	(8,755)
Increase in deferred inflows of resources	40,846
Increase in other postemployment benefits payable	2,048
Net cash used in operating activities	\$ (208,709)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$43,451.

During the year ended June 30, 2015, the District received contributed capital from the Capital Projects: Statewide Sales, Services and Use Fund valued at \$23,234.

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Donations	<u>\$          1,000</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>                  300</u>
Change in net position	700
Net position beginning of year	<u>(700)</u>
Net position end of year	<u><u>\$                  -</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**(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 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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, 2015. 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

#### **E. Budgets and Budgetary Accounting**

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

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2015 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, 2015, 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, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects:		
Statewide Sales, Services and Use Tax	Enterprise: School Nutrition	\$ 73,352
Enterprise: School Nutrition	General Fund	710
Total		<u>\$ 74,062</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.

The General Fund is repaying the Enterprise: School Nutrition Fund to repay a grant deposited into the General Fund.

**(4) Interfund Transfers**

The detail of transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 524,580
Management Fund	General Fund	5,382
Total		<u>\$ 529,962</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.

The transfer from the General Fund to the Management Fund was needed to repay the Management Fund for early retirees which should have been paid from the General Fund.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 203,120	-	-	203,120
Construction in progress	-	2,510,894	203,262	2,307,632
Total capital assets not being depreciated	<u>203,120</u>	<u>2,510,894</u>	<u>203,262</u>	<u>2,510,752</u>
Capital assets being depreciated:				
Buildings	18,068,385	203,262	313,368	17,958,279
Land improvements	806,245	-	-	806,245
Machinery and equipment	2,649,459	417,725	156,536	2,910,648
Total capital assets being depreciated	<u>21,524,089</u>	<u>620,987</u>	<u>469,904</u>	<u>21,675,172</u>
Less accumulated depreciation for:				
Buildings	8,264,642	645,304	313,368	8,596,578
Land improvements	459,029	40,485	-	499,514
Machinery and equipment	1,953,726	274,128	150,536	2,077,318
Total accumulated depreciation	<u>10,677,397</u>	<u>959,917</u>	<u>463,904</u>	<u>11,173,410</u>
Total capital assets being depreciated, net	<u>10,846,692</u>	<u>(338,930)</u>	<u>6,000</u>	<u>10,501,762</u>
Governmental activities capital assets, net	<u>\$ 11,049,812</u>	<u>2,171,964</u>	<u>209,262</u>	<u>13,012,514</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 164,943	23,234	-	188,177
Less accumulated depreciation	103,494	10,922	-	114,416
Business type activities capital assets, net	<u>\$ 61,449</u>	<u>12,312</u>	<u>-</u>	<u>73,761</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 57,410
Support services:		
Instructional staff		21,727
Administration		19,643
Operation and maintenance of plant		10,483
Transportation		164,865
		<u>274,128</u>
Unallocated depreciation		<u>685,789</u>
Total governmental activities depreciation expense		<u>\$ 959,917</u>
Business type activities:		
Food services		<u>\$ 10,922</u>

## (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 640,000	10,640,000	730,000	10,550,000	715,000
Revenue bonds	4,955,000	-	260,000	4,695,000	265,000
Compensated absences	15,886	27,081	15,886	27,081	27,081
Termination benefits	-	5,382	-	5,382	5,382
Net pension liability	6,900,878	-	1,907,884	4,992,994	-
Net OPEB liability	358,144	52,057	-	410,201	-
Total	<u>\$ 12,869,908</u>	<u>10,724,520</u>	<u>2,913,770</u>	<u>20,680,658</u>	<u>1,012,463</u>
Business type activities:					
Net pension liability	\$ 148,027	-	40,925	107,102	-
Net OPEB liability	6,751	2,048	-	8,799	-
Total	<u>\$ 154,778</u>	<u>2,048</u>	<u>40,925</u>	<u>115,901</u>	<u>-</u>

**General Obligation Bonds Payable**

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2014			Bond Issue of May 1, 2015			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	2.00 % \$	555,000	275,650	0.65 % \$	160,000	7,713	\$ 715,000	283,363	998,363
2017	2.00	570,000	264,550	1.00	160,000	6,080	730,000	270,630	1,000,630
2018	2.00	580,000	253,150	1.25	160,000	4,480	740,000	257,630	997,630
2019	2.00	590,000	241,550	1.55	160,000	2,480	750,000	244,030	994,030
2020	2.00	605,000	229,750	-	-	-	605,000	229,750	834,750
2021-2025	2.00-3.00	3,240,000	923,700	-	-	-	3,240,000	923,700	4,163,700
2026-2030	3.00-3.50	3,770,000	397,425	-	-	-	3,770,000	397,425	4,167,425
Total		<u>\$ 9,910,000</u>	<u>2,585,775</u>		<u>640,000</u>	<u>20,753</u>	<u>10,550,000</u>	<u>2,606,528</u>	<u>13,156,528</u>

**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
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	2.90	295,000	139,805	434,805
2020	3.10	305,000	131,250	436,250
2021-2025	3.30-3.70	1,675,000	499,035	2,174,035
2026-2029	3.80-4.00	1,595,000	162,050	1,757,050
Total		<u>\$ 4,695,000</u>	<u>1,392,550</u>	<u>6,087,550</u>

The District has pledged future statewide sales, service and use tax revenues to repay the \$5,545,000 bond issued December 2010. The bonds were issued for the purpose of financing a portion of the costs of various improvements to the high school building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 36 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$6,087,550. For the current year, the District paid principal of \$260,000 and interest of \$164,580 on the bonds and total statewide sales, services and use tax revenues were \$1,178,753.

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, 2015, the District paid \$88,805 of early retirement benefit payments.

**(7) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$795,897.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$5,100,096 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.126019 percent, which was an increase of 0.001524 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$397,909. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,428	\$ -
Changes of assumptions	225,079	-
Net difference between projected and actual earnings on pension plan investments	-	1,945,030
Changes in proportion and differences between District contributions and proportionate share of contributions	69,259	-
District contributions subsequent to the measurement date	795,897	-
Total	<u>\$ 1,145,663</u>	<u>\$ 1,945,030</u>

\$795,897 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (404,537)
2017	(404,537)
2018	(404,537)
2019	(404,537)
2020	22,882
	<u>\$ (1,595,266)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 9,636,489	\$ 5,100,096	\$ 1,270,911

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$139,052 for legally required employer contributions and \$92,650 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. The District also offers health insurance benefits to eligible retirees. These benefits are calculated as an explicit subsidy to the OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 195,000
Interest on net OPEB obligation	15,105
Adjustment to annual required contribution	<u>(13,000)</u>
Annual OPEB cost	197,105
Contributions made	<u>(143,000)</u>
Increase in net OPEB obligation	54,105
Net OPEB obligation beginning of year	<u>364,895</u>
Net OPEB obligation end of year	<u><u>\$ 419,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2015, the District contributed \$143,000 to the medical plan. Plan members eligible for benefits contributed \$103,000, or 41.9% 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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 209,996	54.3%	\$ 288,000
2014	209,895	63.4%	364,895
2015	197,105	72.6%	419,000

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$2,076,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,076,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,121,770, and the ratio of the UAAL to covered payroll was 33.9%. 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 4.00% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2014 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, 2014 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2014.

Projected claim costs of the medical plans for retirees less than age 65 are \$618 per month for the PPO 500 plan, \$584 per month for the PPO 750 plan and \$512 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 \$513,721 for the year ended June 30, 2015 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, 2015, the Nutrition Fund had deficit unrestricted net position of \$194,437 and a deficit fund balance of \$120,676. The governmental activities had an unrestricted net position of \$2,835,397.

**(12) Categorical Funding**

The District's ending restricted balances for categorical funding at June 30, 2015 is comprised of the following programs:

Project	Amount
LEP Weighting	\$ 11,046
Gifted and talented	33,835
Successful progression for early readers	265
Total categorical funding	\$ 45,146

**(13) Construction Commitment**

The District entered into contracts totaling \$5,472,361 for the elementary and middle school renovations and additions. As of June 30, 2015, costs of \$2,307,632 had been incurred against the contracts. The balance of \$3,164,729 remaining at June 30, 2015 will be paid as work on the projects progress.

**(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	Management Levy	School Infrastructure	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	49,945	10,005,526	455,486	2,407,221
Capital assets, net of accumulated depreciation	13,012,514	-	-	-	-
General obligation bond capitalized indebtedness	(2,473,303)	-	-	-	-
Revenue bond capitalized indebtedness	(4,695,000)	-	-	-	-
Unspent general obligation bond proceeds	-	-	(8,076,697)	-	-
Termination benefits payable	-	(5,382)	-	-	-
Accrued interest payable	-	-	-	(24,158)	-
Income Surtax	-	-	-	-	970,715
Compensated absences	-	-	-	-	(27,081)
Net pension liability	-	-	-	-	(4,992,994)
Pension related deferred outflows of resources	-	-	-	-	1,121,127
Pension related deferred inflows of resources	-	-	-	-	(1,904,184)
Net OPEB liability	-	-	-	-	(410,201)
Net position (Exhibit A)	\$ 5,844,211	44,563	1,928,829	431,328	(2,835,397)

**(15) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 11,546,815	\$ (23,870)
Net pension liability at June 30, 2014	(6,900,878)	(148,027)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	735,673	15,781
Net position July 1, 2014, as restated	\$ 5,381,610	\$ (156,116)

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, 2015

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 7,944,308	356,951	8,301,259	9,552,150	9,552,150	(1,250,891)
State sources	8,473,471	5,456	8,478,927	7,589,011	7,589,011	889,916
Federal sources	668,429	265,981	934,410	775,000	775,000	159,410
Total revenues	17,086,208	628,388	17,714,596	17,916,161	17,916,161	(201,565)
Expenditures/Expenses:						
Instruction	10,722,684	-	10,722,684	11,080,000	11,080,000	357,316
Support services	4,931,087	604	4,931,691	4,961,000	4,961,000	29,309
Non-instructional programs	-	615,578	615,578	573,000	625,000	9,422
Other expenditures	4,721,400	-	4,721,400	12,979,168	12,979,168	8,257,768
Total expenditures/expenses	20,375,171	616,182	20,991,353	29,593,168	29,645,168	8,653,815
Excess(Deficiency) of revenues over(under) expenditures/expenses	(3,288,963)	12,206	(3,276,757)	(11,677,007)	(11,729,007)	8,452,250
Other financing sources, net	10,642,796	23,234	10,666,030	10,600,000	10,600,000	66,030
Excess(Deficiency) of revenues over(under) expenditures/expenses and other financing sources	7,353,833	35,440	7,389,273	(1,077,007)	(1,129,007)	8,518,280
Balance beginning of year, as restated	5,933,091	(156,116)	5,776,975	4,888,343	4,888,343	(888,632)
Balance end of year	\$ 13,286,924	(120,676)	13,166,248	3,811,336	3,759,336	7,629,648

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$52,000.

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%
2015	July 1, 2014	-	2,076,000	2,076,000	0.00%	6,121,770	33.9%

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.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.126019%
District's proportionate share of the net pension liability	\$ 5,100,096
District's covered-employee payroll	\$ 8,912,625
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.22%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 795,897	751,370	697,813	619,459	524,717	506,480	472,835	429,068	372,257	361,518
Contributions in relation to the statutorily required contribution	<u>(795,897)</u>	<u>(751,370)</u>	<u>(697,813)</u>	<u>(619,459)</u>	<u>(524,717)</u>	<u>(506,480)</u>	<u>(472,835)</u>	<u>(429,068)</u>	<u>(372,257)</u>	<u>(361,518)</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 8,912,625	8,413,998	8,048,593	7,676,072	7,549,885	7,287,482	7,446,220	7,092,033	6,474,035	6,287,270
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total Special Revenue
<b>ASSETS</b>			
Cash and pooled investments	\$ 48,238	163,924	212,162
Receivables:			
Property tax:			
Delinquent	1,838	-	1,838
Succeeding year	420,000	-	420,000
<b>TOTAL ASSETS</b>	<b>\$ 470,076</b>	<b>163,924</b>	<b>634,000</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 131	11,154	11,285
Salaries and benefits payable	-	192	192
Total liabilities	131	11,346	11,477
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	420,000	-	420,000
Fund balances:			
Restricted for:			
Management levy purposes	49,945	-	49,945
Student activities	-	152,578	152,578
Total fund balances	49,945	152,578	202,523
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 470,076</b>	<b>163,924</b>	<b>634,000</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total Special Revenue
REVENUES:			
Local sources:			
Local tax	\$ 208,938	-	208,938
Other	13,155	316,723	329,878
State sources	126	-	126
<b>TOTAL REVENUES</b>	<b>222,219</b>	<b>316,723</b>	<b>538,942</b>
EXPENDITURES:			
Current:			
Instruction:			
Regular	88,328	-	88,328
Other	-	251,075	251,075
Support services:			
Student	379	-	379
Instructional staff	-	560	560
Operation and maintenance of plant	174,995	-	174,995
Transportation	26,759	-	26,759
<b>TOTAL EXPENDITURES</b>	<b>290,461</b>	<b>251,635</b>	<b>542,096</b>
Excess(Deficiency) of revenues over(under) expenditures	(68,242)	65,088	(3,154)
Other financing sources:			
Transfer in	5,382	-	5,382
Change in fund balances	(62,860)	65,088	2,228
Fund balances beginning of year	112,805	87,490	200,295
Fund balances end of year	\$ 49,945	152,578	202,523

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects			
	Statewide Sales, Services and Use Tax	Capital Projects	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,097,343	9,141,776	185,938	11,425,057
Receivables:				
Property tax:				
Delinquent	-	-	1,797	1,797
Succeeding year	-	-	216,729	216,729
Income surtax	-	-	416,021	416,021
Due from other funds	73,352	-	-	73,352
Due from other governments	183,279	-	-	183,279
<b>TOTAL ASSETS</b>	<b>\$ 2,353,974</b>	<b>9,141,776</b>	<b>820,485</b>	<b>12,316,235</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 2,562	1,045,662	16,713	1,064,937
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	216,729	216,729
Income surtax	-	-	416,021	416,021
Total liabilities	-	-	632,750	632,750
Fund balances:				
Restricted for:				
Debt service	442,000	-	-	442,000
School infrastructure	1,909,412	8,096,114	-	10,005,526
Physical plant and equipment levy	-	-	171,022	171,022
Total fund balances	2,351,412	8,096,114	171,022	10,618,548
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,353,974</b>	<b>9,141,776</b>	<b>820,485</b>	<b>12,316,235</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	629,386	629,386
Other	46	16,621	-	16,667
State sources	1,178,753	-	167	1,178,920
<b>TOTAL REVENUES</b>	<b>1,178,799</b>	<b>16,621</b>	<b>629,553</b>	<b>1,824,973</b>
EXPENDITURES:				
Current:				
Instruction:				
Regular	318,288	-	264,458	582,746
Support services:				
Instructional staff	65,196	-	46,345	111,541
Administration	-	15,497	6,950	22,447
Operation and maintenance of plant	-	-	10,470	10,470
Transportation	171,278	-	189,512	360,790
Capital outlay	122,721	2,547,806	136,019	2,806,546
<b>TOTAL EXPENDITURES</b>	<b>677,483</b>	<b>2,563,303</b>	<b>653,754</b>	<b>3,894,540</b>
Excess(Deficiency) of revenues over(under) expenditures	501,316	(2,546,682)	(24,201)	(2,069,567)
Other financing sources(uses):				
Transfer out	(524,580)	-	-	(524,580)
Issuance of general obligation bonds	-	10,640,000	-	10,640,000
Premium on issuance of general obligation bonds	-	189,649	-	189,649
Discount on issuance of general obligation bonds	-	(186,853)	-	(186,853)
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>(524,580)</b>	<b>10,642,796</b>	<b>-</b>	<b>10,118,216</b>
Change in fund balances	(23,264)	8,096,114	(24,201)	8,048,649
Fund balance beginning of year	2,374,676	-	195,223	2,569,899
Fund balance end of year	\$ 2,351,412	8,096,114	171,022	10,618,548

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, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama Workshop	\$ 10,384	10,685	18,365	-	2,704
Athletics (Donations)	1,723	65,103	12,613	(28,973)	25,240
Athletics	(35,174)	63,587	25,021	1,106	4,498
Annual	20,433	7,571	4,604	-	23,400
Soccer Fundraising	4,669	2,766	1,158	-	6,277
Class of 2014	895	-	343	-	552
Class of 2015	3,824	2,311	5,273	-	862
Class of 2016	-	7,124	4,453	-	2,671
Renaissance	6,206	2,744	4,994	-	3,956
Post Prom	3,932	12,698	12,412	-	4,218
FFA	11,293	29,765	35,095	-	5,963
Film Club	200	-	-	-	200
Athletic Resale	(881)	1,762	-	(881)	-
Librarians Club	-	48	-	-	48
Baseball	(1,899)	3,805	-	(1,724)	182
Boys Basketball	2,068	12,327	8,564	-	5,831
Girls Basketball	8,906	5,238	14,298	8,000	7,846
Cheerleading	712	1,470	962	-	1,220
Football	11,040	35,344	45,830	12,000	12,554
Girls Golf	(294)	385	91	-	-
Boys Golf	(328)	1,034	376	(328)	2
Boys Soccer	3,847	10,503	13,964	3,800	4,186
Cross Country	690	140	283	-	547
Track	1,242	2,399	2,196	-	1,445
Volleyball	6,390	4,333	12,759	7,000	4,964
Girls Soccer	1,489	1,420	234	-	2,675
Softball	1,566	6,413	3,358	-	4,621
Wrestling	829	500	320	-	1,009
FCCLA (Seward)	4,678	13,800	14,628	-	3,850
FCCLA (District 6 president)	-	1,627	250	-	1,377
High School Student Council	10,728	2,005	3,887	-	8,846
Wellness	1,656	-	-	-	1,656
Dance Team	6,666	7,816	5,304	-	9,178
<b>Total</b>	<b>\$ 87,490</b>	<b>316,723</b>	<b>251,635</b>	<b>-</b>	<b>152,578</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 5,566,305	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
Tuition	1,500,645	1,451,238	1,376,781	1,418,826	1,305,059	1,160,192	933,397	984,572	894,017	692,869
Other	877,358	625,157	946,531	951,990	822,275	730,304	708,506	696,022	674,764	559,225
State sources	8,473,471	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
Federal sources	668,429	642,624	635,973	1,083,026	1,714,934	1,205,901	936,591	858,672	627,300	452,753
Total	\$ 17,086,208	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
Expenditures:										
Instruction										
Regular	\$ 6,985,348	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
Special	1,834,457	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
Other	1,902,879	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
Support services:										
Student	360,165	260,080	202,776	194,901	174,402	176,092	206,367	233,047	205,463	228,264
Instructional staff	551,474	564,674	540,709	560,597	423,011	460,310	484,953	436,973	418,258	423,256
Administration	1,794,038	1,599,558	1,360,350	1,161,481	1,081,186	1,081,281	952,790	926,113	915,715	908,776
Operation and maintenance of plant	1,194,020	1,145,504	1,090,448	952,569	922,093	764,278	1,064,478	907,873	884,833	854,623
Transportation	1,031,390	675,978	836,170	709,609	537,870	749,436	653,787	492,551	595,379	450,232
Non-instructional programs	-	-	-	-	-	3,450	17,854	-	-	-
Capital outlay	2,806,546	706,657	558,908	3,465,414	3,353,819	1,374,745	524,834	544,243	506,305	297,159
Long-term debt:										
Principal	990,000	785,000	550,000	550,000	355,000	355,000	2,920,000	305,000	295,000	275,000
Interest and fiscal charges	411,133	195,307	207,676	319,388	158,009	53,355	156,505	127,792	137,428	146,391
Other expenditures:										
AEA flow-through	513,721	488,825	457,796	457,982	504,572	488,089	445,538	414,074	397,136	364,300
Total	\$ 20,375,171	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

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	FY15	\$ 29,763
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY15	236,218 *
			<u>265,981</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY15	<u>317,286</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY15	<u>581</u>
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY15	<u>24,244</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY14	<u>65,144</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY15	<u>6,485</u>
U.S. DEPARTMENT OF EDUCATION:			
GRANT WOOD AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY15	<u>58,235</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY15	<u>16,128</u>
TOTAL			<u>\$ 754,084</u>

\* Includes \$43,451 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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 2, 2016.

**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 a material weakness and significant deficiency.

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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 to be a material weakness.

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 item II-B-15 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 direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 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.

February 2, 2016  
Newton, Iowa

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

**Independent Auditor's Report on Compliance for Each  
Major Federal Program 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, 2015. 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, 2015.

## 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-15 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.

February 2, 2016  
Newton, Iowa

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**Part I: Summary of the Independent Auditor's Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency and material weakness 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-15 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 one or more of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function, replenishing petty cash and custody.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - maintaining accounts receivable, recording, 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 continues to review ways to segregate duties in the central office. Beginning in Fiscal Year 2016 the District has engaged an external accounting professional to perform unannounced reviews of the current named activities and processes, above. Extensive documentation of the process, above, continues.

Conclusion - Response accepted.

II-B-15 Purchase Orders - We noted during our audit that several purchase orders were dated after the invoice date.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - Spreadsheet/Template Purchase Orders are prepared by district personnel who want to make purchase on behalf of the District. These are presented for approval to the Building Administrator. Once approved, the administrator's designee prepares a system numbered purchase order to match the template purchase order. Documentation of the above through completion of the payment for the purchase has been updated to reiterate the procedures and reinforce the need for the proper sequence of events and timing for purchases within the District. The updated documentation has been reviewed with persons generating and approving purchase orders. We believe this is the first phase of reinforcement of the importance of the District Purchase Order Process.

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: 2015**  
**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: 2015**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

III-A-15 Segregation of Duties - One important aspect of the internal control structure is the (2015-001) 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, 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 continues to review ways to segregate duties in the central office. Beginning in Fiscal Year 2016 the District has engaged an external accounting professional to perform unannounced reviews of the current named activities and processes, above. Extensive documentation of the process, above, continues.

Conclusion - Response accepted.

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

IV-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amount budgeted.

IV-B-15 Questionable Disbursements - We noted during our audit that the District purchased clothing for employees out of the Special Revenue, Student Activity Fund.

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

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

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

Response - The District respectfully recognizes the recommendation made to refrain from the use of public funds for the purchase of personal clothing. We believe this to be a difference of interpretation. ALL purchases of clothing for coaches - coaching shirts, jackets, etc.-are derived from fundraising activities for each individual sport and are fully disclosed on the fundraising form ,approved by the School Board, with the intent of a portion of the proceeds to be used for these purposes. The District passed a resolution sometime during 2009-2013 that approved this as an acceptable expenditure as long as the purchased items came from fundraised funds and was disclosed. Taxpayer funds are not used for these expenditures. The District also believes that it is appropriate for the coaches to have appropriate attire for these sports to represent the District in a professional manner. The District cautiously continues this practice.

Conclusion - Response accepted.

IV-C-15 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-15 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	\$ 2,400
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-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-15 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 1.22.
- 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-15 Supplementary Weighting - We noted no variances regarding the supplementary weighting data certified to the Iowa Department of Education.
- IV-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, 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 2015 audit:

Beginning balance		\$	2,374,676
Revenues:			
Sales tax revenues	\$	1,178,753	
Other local revenues		46	1,178,799
Total revenues			<u>3,553,475</u>
Expenditures/transfers out:			
School infrastructure construction	\$	125,561	
Equipment		481,627	
Other		70,295	
Transfer to another fund:			
Debt service fund		524,580	1,202,063
Ending balance			<u>\$ 2,351,412</u>

For the year ended June 30, 2015, 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-15 Financial Condition - At June 30, 2015, the Nutrition Fund had deficit unrestricted net position of \$194,437 and a deficit fund balance of \$120,676. The governmental activities had an unrestricted net position of \$2,835,397. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$4,992,994 at June 30, 2015. (See Note 15, Accounting Change/Restatement).

Conclusion - Response accepted.

IV-N-15 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, 2015, 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 1<sup>st</sup> 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 September 28, 2015 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, 2015, 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, 2016. It is the intention of the District to pay itself back as quickly as possible without creating additional undue financial stress to a recovering Nutrition Fund Balance Sheet. It is recognized the preferred method of borrowing would be to secure financing from an outside lender. It is also recognized that this may cause additional expense, including finance cost, borrowing cost, and legal cost.

Conclusion - Response accepted.

IV-O-15 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events. The District currently receipts this revenue into the Student Activity Fund.

Recommendation - Chapter 297.10 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage from hosting district and regional events into the General Fund.

Response - These funds were receipted into the Activity Fund in error and have been removed. Future receipts of this nature will be receipted into the Operating Fund as Miscellaneous Income.

Conclusion - Response accepted.