

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

## Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Assets and Liabilities	G	21
Statement of Revenues, Expenses and Changes in Net Assets	H	22
Statement of Cash Flows	I	23
Fiduciary Fund Financial Statements		
Statement of Assets and Liabilities	J	24
Notes to Financial Statements		25-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual (GAAP Basis) - All Governmental Funds and Proprietary Fund		35-36
Notes to Required Supplementary Information - Budgetary Reporting		37
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	39
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	40-41
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	43
Schedule of Expenditures of Federal Awards	6	44-45
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		46-47
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		48-49
Schedule of Findings & Questioned Costs		50-55

South Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
G. Joe Lyon	President	2006
Alan Upah	Vice-President	2004
Margaret Kubik	Board Member	2004
Donald Wacha	Board Member	2005
Jackie Dvorak	Board Member	2005
Board of Education (After September 2004 Election)		
G. Joe Lyon	President	2006
Alan Upah	Vice President	2007
Margaret Kubik	Board Member	2007
Donald Wacha	Board Member	2005
Jackie Dvorak	Board Member	2005
School Officials		
Larry Molacek	Superintendent	2005
Teresa Hofer	District Secretary	2005
John Legg	Business Manager	2005
Peter Pashler	Attorney	2005
Joel Greer	Attorney	2005

# **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  
South Tama County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the South Tama County Community School District, Tama, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Tama County Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

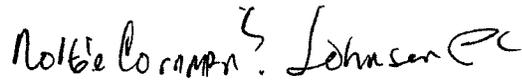
In accordance with Government Auditing Standards, we have also issued our reports dated August 23, 2005 on our consideration of South Tama County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 37 are not required parts of the basic financial statements, but are supplementary

**Members American Institute & Iowa Society of Certified Public Accountants**

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Tama County Community School District's basic financial statements. We 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, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

August 23, 2005

---

---

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

---

---

South Tama County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,787,733 in fiscal 2004 to \$12,561,639 in fiscal 2005, while General Fund expenditures increased from \$11,844,840 in fiscal 2004 to \$12,516,265 in fiscal 2005. This resulted in an increase in the District's General Fund balance from \$2,840,707 in fiscal 2004 to a balance of \$2,886,081 in fiscal 2005, a 1.60% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state and federal sources in fiscal 2005. The increase in expenditures was due primarily to an increase in instruction and support services functional areas.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of South Tama County 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 South Tama County 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 South Tama County Community School District acts solely as an agent or custodial for the benefit of those outside of the 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

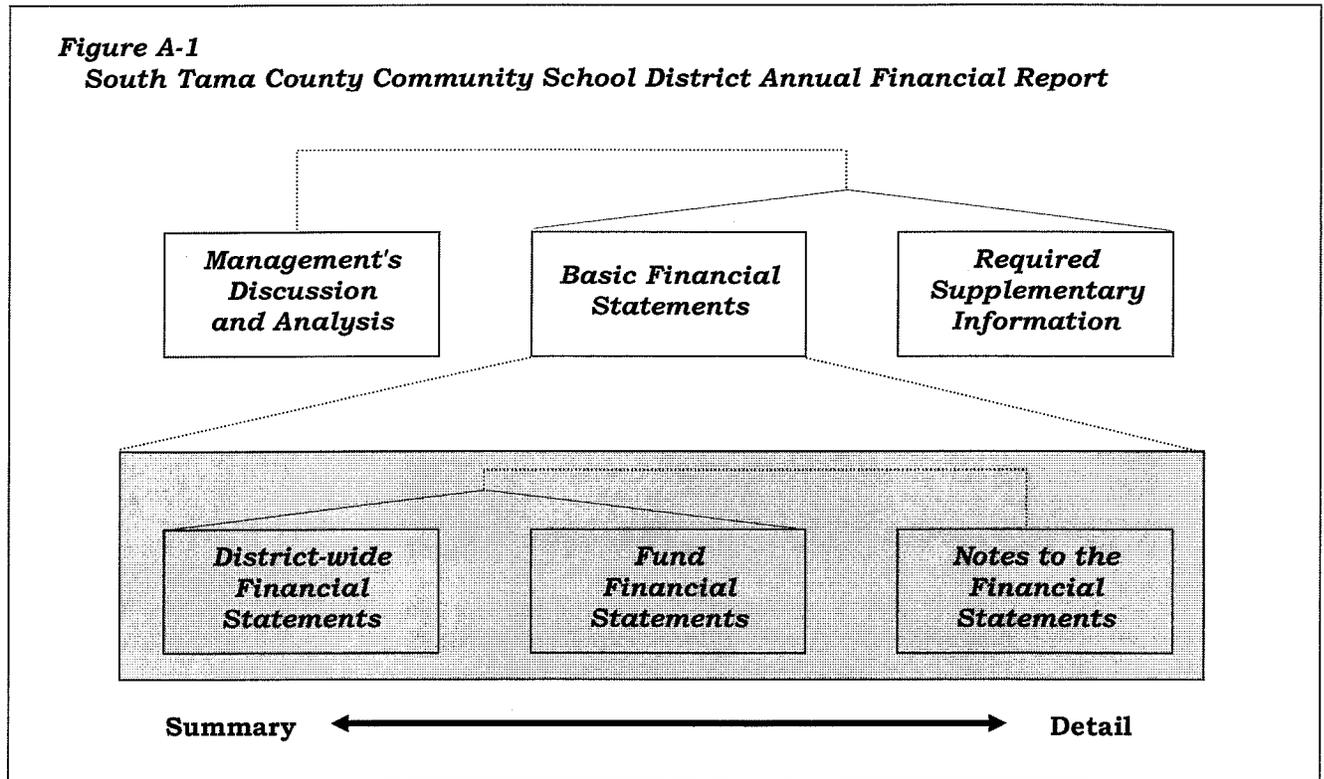


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the Government-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	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 assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</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 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 Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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 revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 17,999,532	8,127,731	109,883	126,516	18,109,415	8,254,247	119.40%
Capital assets	2,875,474	1,875,640	34,661	15,825	2,910,135	1,891,465	53.86%
Total assets	20,875,006	10,003,371	144,544	142,341	21,019,550	10,145,712	107.18%
Long-term obligations	9,510,851	519,733	0	0	9,510,851	519,733	1729.95%
Other liabilities	5,110,584	4,501,891	34,443	31,031	5,145,027	4,532,922	13.50%
Total liabilities	14,621,435	5,021,624	34,443	31,031	14,655,878	5,052,655	190.06%
Net assets:							
Invested in capital assets, net of related debt	2,875,474	1,875,640	34,661	15,825	2,910,135	1,891,465	53.86%
Restricted	1,010,554	668,017	0	0	1,010,554	668,017	51.28%
Unrestricted	2,367,543	2,438,090	75,440	95,485	2,442,983	2,533,575	-3.58%
Total net assets	\$ 6,253,571	4,981,747	110,101	111,310	6,363,672	5,093,057	24.95%

The District's combined net assets increased by 24.95%, or \$1,270,615, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$342,537, or 51.28% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$90,592, or 3.58%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 613,931	642,579	261,058	269,255	874,989	911,834	-4.04%
Operating grants and contributions and restricted interest	2,403,895	2,197,959	343,275	348,606	2,747,170	2,546,565	7.88%
General revenues:							
Property tax	3,616,737	3,633,127	0	0	3,616,737	3,633,127	-0.45%
Local option sales and services tax	760,070	2,124	0	0	760,070	2,124	35684.84%
Unrestricted state grants	6,788,325	6,001,711	0	0	6,788,325	6,001,711	13.11%
Other	250,725	77,546	1,279	337	252,004	77,883	223.57%
Total revenues	14,433,683	12,555,046	605,612	618,198	15,039,295	13,173,244	14.17%
Program expenses:							
Governmental activities:							
Instructional	8,824,280	8,401,462	0	0	8,824,280	8,401,462	5.03%
Support services	3,586,244	3,606,666	0	0	3,586,244	3,606,666	-0.57%
Non-instructional programs	224	485	606,821	595,891	607,045	596,376	1.79%
Other expenses	751,111	596,496	0	0	751,111	596,496	25.92%
Total expenses	13,161,859	12,605,109	606,821	595,891	13,768,680	13,201,000	4.30%
Changes in net assets	1,271,824	(50,063)	(1,209)	22,307	1,270,615	(27,756)	-4677.80%
Beginning net assets	4,981,747	5,031,810	111,310	89,003	5,093,057	5,120,813	-0.54%
Ending net assets	\$ 6,253,571	4,981,747	110,101	111,310	6,363,672	5,093,057	24.95%

Property tax and unrestricted state grants account for 69.19% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90.14% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in local option sales and services tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the increase in expenditures, demonstrating an increase in the financial position for the year.

**Governmental Activities**

Revenues for governmental activities were \$14,433,683 and expenses were \$13,161,859. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 8,824,280	6,306,503
Support services	3,586,244	3,585,564
Non-instructional programs	224	224
Other expenses	751,111	251,742
Totals	<u>\$ 13,161,859</u>	<u>10,144,033</u>

- The cost financed by users of the District’s programs was \$613,931.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,403,895.
- The net cost of governmental activities was financed with \$3,616,737 in property tax, \$760,070 in local option sales and services tax, \$6,788,325 in state foundation aid and \$250,725 in interest income.

**Business-Type Activities**

Revenues of the District’s business-type activities were \$605,612 and expenses were \$606,821. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, the South Tama County 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 balance of \$12,735,787, above last year’s ending fund balances of a \$3,625,840. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to the issuance of \$9,000,000 in general obligation bonds.

**Governmental Fund Highlights**

- The District’s growing General Fund financial position is the product of many factors:

- Increase in state aid grants and federal sources during the year resulted in an increase in revenues.
- The Capital Projects Fund balance increased from \$2,481 in fiscal 2004 to \$9,103,700 in fiscal 2005. This was due to the issuance of \$9,000,000 in general obligation bonds payable.

### Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$111,310 at June 30, 2004 to \$110,101 at June 30, 2005, representing a decrease of 1.09%. For fiscal 2005, the District saw an increase in expenditures.

## BUDGETARY HIGHLIGHTS

Over the course of the year, South Tama County Community School District amended its annual budget one time to reflect additional expenditures associated with all functional areas.

The District's revenues were \$635,557 more than budgeted revenues, a variance of 4.49%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, 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, 2005, the District had invested \$2,910,135, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 53.86% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$199,750.

The original cost of the District's capital assets was \$6,873,515. Governmental funds account for \$6,721,183 with the remainder of \$152,332 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in process category. The District's construction in progress totaled \$1,120,304 at June 30, 2005, compared to \$0 reported at June 30, 2004. This increase resulted from the District starting a construction project during fiscal year 2005.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 315,920	317,920	0	0	315,920	317,920	-0.63%
Construction in progress	1,120,304	0	0	0	1,120,304	0	100.00%
Buildings	731,197	741,363	0	0	731,197	741,363	-1.39%
Land improvements	183,767	183,451	0	0	183,767	183,451	0.17%
Machinery and equipment	524,286	632,906	34,661	15,825	558,947	648,731	-16.06%
Total	\$ 2,875,474	1,875,640	34,661	15,825	2,910,135	1,891,465	35.00%

---

## Long-Term Debt

At June 30, 2005, the District had \$9,510,851 in general obligation and other long-term debt outstanding. This represents an increase of 1,729.95% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$9,000,000 at June 30, 2005.

The District had compensated absences at June 30, 2005 of \$81,718.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$429,133 at June 30, 2005.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 9,000,000	0	100.0%
Compensated absences	81,718	63,379	28.9%
Early Retirement	429,133	456,354	-6.0%
Totals	<u>\$ 9,510,851</u>	<u>519,733</u>	<u>1729.9%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Residents of the District passed a bond issue for a new building on October 4, 2004. The new building should be available for use in August of 2006. The District will discontinue using the current Tama Primary building.
- The District issued \$9,000,000 in general obligation bonds to build a new PK-5 building. The amount will be repaid over twenty years by using a combination of one cent local option sales tax and a 7% income surcharge through the PPEL levy.
- The District's experienced an enrollment drop of thirty-six students from the previous year. Should enrollment continue to drop, it will have a negative impact on the District's tax levy.
- Impact aid funding remains a concern as politicians in Washington continue to push for budget deficit reductions.

---

## **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 John Legg, Business Manager, South Tama County Community School District, 1702 Harding St., Tama, Iowa, 52339.

BASIC FINANCIAL STATEMENTS

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 13,863,750	88,296	13,952,046
Receivables:			
Property tax:			
Delinquent	71,414	0	71,414
Succeeding year	3,379,570	0	3,379,570
Income surtax	253,886	0	253,886
Accounts	2,734	847	3,581
Due from other governments	428,178	0	428,178
Inventories	0	20,740	20,740
Capital assets, net of accumulated depreciation(Note 4)	2,875,474	34,661	2,910,135
<b>TOTAL ASSETS</b>	<b>20,875,006</b>	<b>144,544</b>	<b>21,019,550</b>
<b>LIABILITIES</b>			
Accounts payable	457,283	290	457,573
Salaries and benefits payable	1,173,006	27,250	1,200,256
ISEBA assessment payable(Note 7)	71,011	0	71,011
Accrued interest payable	29,714	0	29,714
Deferred revenue:			
Succeeding year property tax	3,379,570	0	3,379,570
Other	0	6,903	6,903
Long-term liabilities(Note 5):			
Portion due within one year:			
General obligation bonds payable	315,000	0	315,000
Compensated absences	81,718	0	81,718
Early retirement payable	145,401	0	145,401
Portion due after one year:			
General obligation bonds payable	8,685,000	0	8,685,000
Early retirement payable	283,732	0	283,732
<b>TOTAL LIABILITIES</b>	<b>14,621,435</b>	<b>34,443</b>	<b>14,655,878</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	2,875,474	34,661	2,910,135
Restricted for:			
Early intervention	237,702	0	237,702
Talented and gifted	8,045	0	8,045
Salary improvement program	1,020	0	1,020
Capital projects	87,991	0	87,991
Physical plant and equipment levy	549,995	0	549,995
Other special revenue purposes	125,801	0	125,801
Unrestricted	2,367,543	75,440	2,442,983
<b>TOTAL NET ASSETS</b>	<b>\$ 6,253,571</b>	<b>110,101</b>	<b>6,363,672</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 5,230,183	612,287	1,904,526
Special instruction	2,503,695	964	0
Other instruction	1,090,402	0	0
	<u>8,824,280</u>	<u>613,251</u>	<u>1,904,526</u>
Support services:			
Student services	231,529	0	0
Instructional staff services	197,301	0	0
Adminstration services	1,553,374	0	0
Operation and maintenance of plant services	1,074,995	0	0
Transportation services	529,045	680	0
	<u>3,586,244</u>	<u>680</u>	<u>0</u>
Non-instructional programs:			
Food service operations	224	0	0
Other expenditures:			
Facilities and acquisitions	14,467	0	0
Long-term debt interest	178,583	0	0
AEA flowthrough	499,369	0	499,369
Depreciation(unallocated)*	58,692	0	0
	<u>751,111</u>	<u>0</u>	<u>499,369</u>
Total governmental activities	13,161,859	613,931	2,403,895
Business-Type activities:			
Non-instructional programs:			
Nutrition services	606,821	261,058	343,275
Total business-type activities	<u>606,821</u>	<u>261,058</u>	<u>343,275</u>
Total	<u>\$ 13,768,680</u>	<u>874,989</u>	<u>2,747,170</u>

**General Revenues:**

Local tax for:  
  General purposes  
  Capital outlay  
  Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(2,713,370)	0	(2,713,370)
(2,502,731)	0	(2,502,731)
(1,090,402)	0	(1,090,402)
(6,306,503)	0	(6,306,503)
(231,529)	0	(231,529)
(197,301)	0	(197,301)
(1,553,374)	0	(1,553,374)
(1,074,995)	0	(1,074,995)
(528,365)	0	(528,365)
(3,585,564)	0	(3,585,564)
(224)	0	(224)
(14,467)	0	(14,467)
(178,583)	0	(178,583)
0	0	0
(58,692)	0	(58,692)
(251,742)	0	(251,742)
(10,144,033)	0	(10,144,033)
0	(2,488)	(2,488)
0	(2,488)	(2,488)
(10,144,033)	(2,488)	(10,146,521)
\$ 3,518,327	0	3,518,327
98,410	0	98,410
760,070	0	760,070
6,788,325	0	6,788,325
250,725	1,279	252,004
11,415,857	1,279	11,417,136
1,271,824	(1,209)	1,270,615
4,981,747	111,310	5,093,057
\$ 6,253,571	110,101	6,363,672

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 4,069,510	9,021,048	773,192	13,863,750
Receivables:				
Property tax:				
Delinquent	64,328	0	7,086	71,414
Succeeding year	3,042,287	0	337,283	3,379,570
Income surtax	0	0	253,886	253,886
Accounts	2,657	0	77	2,734
Due from other governments	36,418	391,760	0	428,178
<b>TOTAL ASSETS</b>	<b>\$ 7,215,200</b>	<b>9,412,808</b>	<b>1,371,524</b>	<b>17,999,532</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 113,826	309,108	34,349	457,283
Salaries and benefits payable	1,173,006	0	0	1,173,006
Deferred revenue:				
Succeeding year property tax	3,042,287	0	337,283	3,379,570
Income surtax	0	0	253,886	253,886
Total liabilities	4,329,119	309,108	625,518	5,263,745
Fund balances:				
Reserved for:				
Early intervention	237,702	0	0	237,702
Talented and gifted	8,045	0	0	8,045
Salary improvement program	1,020	0	0	1,020
Debt service	0	0	14,005	14,005
Unreserved:				
General	2,639,314	0	0	2,639,314
Management	0	0	310,091	310,091
Capital Projects	0	9,103,700	0	9,103,700
Physical plant and equipment levy	0	0	296,109	296,109
Other special revenue purposes	0	0	125,801	125,801
Total fund balances	2,886,081	9,103,700	746,006	12,735,787
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,215,200</b>	<b>9,412,808</b>	<b>1,371,524</b>	<b>17,999,532</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2005

<b>Total fund balances of governmental funds (page 17)</b>	\$	12,735,787
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		2,875,474
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		253,886
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.		(29,714)
ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlement and, therefore, are not reported as liabilities in the governmental funds.		(71,011)
Long-term liabilities, including general obligation bonds, early retirement and compensated absences, are not due and payable in the current period and, tehrefore, are not reported as liabilities in the governmental funds.		<u>(9,510,851)</u>
<b>Net assets of governmental activites (page 14)</b>	<b>\$</b>	<b><u>6,253,571</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 3,029,168	760,070	333,683	4,122,921
Tuition	132,301	0	0	132,301
Other	206,752	125,843	398,230	730,825
Intermediate sources	1,530	0	0	1,530
State sources	7,802,877	0	332	7,803,209
Federal sources	1,389,011	0	0	1,389,011
Total revenues	<u>12,561,639</u>	<u>885,913</u>	<u>732,245</u>	<u>14,179,797</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	5,169,553	0	0	5,169,553
Special instruction	2,510,195	0	0	2,510,195
Other instruction	675,752	0	414,650	1,090,402
	<u>8,355,500</u>	<u>0</u>	<u>414,650</u>	<u>8,770,150</u>
Support services:				
Student services	230,147	0	0	230,147
Instructional staff services	197,301	0	0	197,301
Administration services	1,813,012	0	209,173	2,022,185
Operation and maintenance of plant services	974,343	0	75,207	1,049,550
Transportation services	446,593	0	18,492	465,085
	<u>3,661,396</u>	<u>0</u>	<u>302,872</u>	<u>3,964,268</u>
Other expenditures:				
Facilities acquisitions	0	635,825	51,369	687,194
Long-term debt:				
Interest and fiscal charges	0	0	148,869	148,869
AEA flowthrough	499,369	0	0	499,369
	<u>499,369</u>	<u>635,825</u>	<u>200,238</u>	<u>1,335,432</u>
Total expenditures	<u>12,516,265</u>	<u>635,825</u>	<u>917,760</u>	<u>14,069,850</u>
Excess(deficiency) of revenues over(under) expenditures	45,374	250,088	(185,515)	109,947
Other financing sources(uses):				
Transfers in	0	0	148,869	148,869
Transfers out	0	(148,869)	0	(148,869)
General obligation bonds issued	0	9,000,000	0	9,000,000
Total other financing sources(uses)	<u>0</u>	<u>8,851,131</u>	<u>148,869</u>	<u>9,000,000</u>
Net change in fund balances	45,374	9,101,219	(36,646)	9,109,947
Fund balance beginning of year	2,840,707	2,481	782,652	3,625,840
Fund balance end of year	<u>\$ 2,886,081</u>	<u>9,103,700</u>	<u>746,006</u>	<u>12,735,787</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2005

Net change in fund balances - total governmental funds (page 19) \$ 9,109,947

**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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,025,982	
Depreciation expense	<u>(26,148)</u>	999,834

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 253,886

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 Assets. Current year issues are as follows:

Issued		(9,000,000)
--------	--	-------------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (29,714)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ 27,221	
Compensated Absences	(18,339)	
ISEBA Assessment	<u>(71,011)</u>	<u>(62,129)</u>

Changes in net assets of governmental activities (page 16) \$ 1,271,824

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2005

	School Nutrition
<b>ASSETS</b>	
Cash and pooled investments	\$ 88,296
Accounts receivable	847
Inventories	20,740
Capital assets, net of accumulated depreciation(Note 4)	34,661
<b>TOTAL ASSETS</b>	<b>144,544</b>
 <b>LIABILITIES</b>	
Accounts payable	290
Salaries and benefits payable	27,250
Deferred revenue:	
Other	6,903
<b>TOTAL LIABILITIES</b>	<b>34,443</b>
 <b>NET ASSETS</b>	
Investment in capital assets, net of related debt	34,661
Unrestricted	75,440
<b>TOTAL NET ASSETS</b>	<b>\$ 110,101</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 261,058
TOTAL OPERATING REVENUES	261,058
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	261,944
Benefits	35,579
Services	6,487
Supplies	296,587
Other	225
Depreciation	5,999
TOTAL OPERATING EXPENSES	606,821
OPERATING LOSS	(345,763)
NON-OPERATING REVENUES:	
State sources	8,896
Federal sources	334,379
Interest on investments	1,279
TOTAL NON-OPERATING REVENUES	344,554
Change in net assets	(1,209)
Net assets beginning of year	111,310
Net assets end of year	\$ 110,101

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 257,472
Cash received from miscellaneous	3,553
Cash payments to employees for services	(294,350)
Cash payments to suppliers for goods or services	(267,641)
Net cash used in operating activities	(300,966)
Cash flows from non-capital financing activities:	
State grants received	8,896
Federal grants received	297,906
Net cash provided by non-capital financing activities	306,802
Cash flows from capital and related financing activities:	
Purchase of capital assets	(24,835)
Net cash used in capital and related financing activities	(24,835)
Cash flows from investing activities:	
Interest on investments	1,279
Net cash provided by investing activities	1,279
Net decrease in cash and cash equivalents	(17,720)
Cash and cash equivalents at beginning of year	106,016
Cash and cash equivalents at end of year	\$ 88,296
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (345,763)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	36,473
Depreciation	5,999
Increase in inventories	(1,105)
Decrease in accounts receivable	18
Increase in accounts payable	290
Increase in salaries and benefits payable	3,173
Decrease in deferred revenue	(51)
Net cash used in operating activities	\$ (300,966)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 88,296

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$36,473.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2005

	Agency
Assets	
Cash and pooled investments	\$          144,600
Liabilities	
Accounts payable	\$                  50
Due to other groups	144,550
Total liabilities	\$          144,600

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

The South Tama County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Tama, Toledo, Chelsea, Montour, and Vining, Iowa, and the predominate agricultural territory in Tama and Poweshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, South Tama County 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 South Tama County 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 Tama and Poweshiek Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	10-50 years
Machinery and equipment	5-20 years

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

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

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

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or 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 fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. 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 Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

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

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; 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, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 8,808,069</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 148,769</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 317,920	0	2,000	315,920
Construction in progress	0	1,120,304	0	1,120,304
Total capital assets not being depreciated	<u>317,920</u>	<u>1,120,304</u>	<u>2,000</u>	<u>1,436,224</u>
Capital assets being depreciated:				
Buildings	2,542,498	16,563	112,334	2,446,727
Land improvements	221,164	19,744	0	240,908
Machinery and equipment	2,613,619	38,974	55,269	2,597,324
Total capital assets being depreciated	<u>5,377,281</u>	<u>75,281</u>	<u>167,603</u>	<u>5,284,959</u>
Less accumulated depreciation for:				
Buildings	1,801,135	39,264	124,869	1,715,530
Land improvements	37,713	19,428	0	57,141
Machinery and equipment	1,980,713	135,059	42,734	2,073,038
Total accumulated depreciation	<u>3,819,561</u>	<u>193,751</u>	<u>167,603</u>	<u>3,845,709</u>
Total capital assets being depreciated, net	<u>1,557,720</u>	<u>(118,470)</u>	<u>0</u>	<u>1,439,250</u>
Governmental activities capital assets, net	<u>\$ 1,875,640</u>	<u>1,001,834</u>	<u>2,000</u>	<u>2,875,474</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Machinery and equipment	\$ 127,497	24,835	0	152,332
Less accumulated depreciation	111,672	5,999	0	117,671
Business-type activities capital assets, net	<u>\$ 15,825</u>	<u>18,836</u>	<u>0</u>	<u>34,661</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 25,906
Support services:		
Student		1,382
Administration		10,319
Operation and maintenance of plant		21,415
Transportation		76,037
		<u>135,059</u>
Unallocated depreciation		<u>58,692</u>
Total governmental activities depreciation expense		<u>\$ 193,751</u>
Business-type activities:		
Food services		\$ 5,999
Total business-type activities depreciation expense		<u>\$ 5,999</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
General obligation bonds	\$ 0	9,000,000	0	9,000,000	315,000
Compensated absences	63,379	18,339	0	81,718	81,718
Early Retirement	456,354	118,694	145,915	429,133	145,401
Total	\$ 519,733	9,137,033	145,915	9,510,851	542,119

Bonds Payable

Details of the District's June 30, 2005 general obligation bonds, are as follows:

Year Ending June 30,	Bond issue dated December 1, 2004			
	Interest Rates	Principal	Interest	Total
2006	2.90	% \$ 315,000	354,317	669,317
2007	3.00	330,000	344,955	674,955
2008	3.00-3.75	345,000	334,980	679,980
2009	3.75-4.25	360,000	322,492	682,492
2010	4.25	375,000	307,536	682,536
2011	4.25	390,000	291,386	681,386
2012	4.25	405,000	274,705	679,705
2013	4.25	425,000	257,280	682,280
2014	4.00-3.55	440,000	239,280	679,280
2015	3.55-3.65	460,000	222,987	682,987
2016	3.65-3.75	480,000	206,130	686,130
2017	3.75-3.85	500,000	188,062	688,062
2018	3.85-4.00	520,000	168,745	688,745
2019	4.00-4.05	545,000	147,940	692,940
2020	4.05-4.15	565,000	125,732	690,732
2021	4.15-4.20	595,000	102,114	697,114
2022	4.20-4.25	620,000	76,882	696,882
2023	4.25-4.30	650,000	50,291	700,291
2024	4.30-4.35	680,000	22,100	702,100
Total		\$ 9,000,000	4,037,914	13,037,914

## Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percent of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum dollar amount ranging from \$3,500 to \$6,500 depending on the year of retirement per individual. Early retirement benefits paid during the year ended June 30, 2005, totaled \$145,915. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund early retirement.

### **(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$474,464, \$458,527, and \$460,315 respectively, equal to the required contributions for each year.

### **(7) Risk Management**

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$1.95 million. The District's share of this assessment was \$71,011 which is recorded as a liability as of June 30, 2005.

South Tama County 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.

**(8) 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 \$499,369 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Construction Commitment**

The District has entered into a contract totaling \$9,000,000 for the construction of a new pre-kindergarten elementary school building. As of June 30, 2005, costs of \$1,120,304 had been incurred against the contract. The balance of \$7,879,696 remaining at June 30, 2005 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 4,986,047	262,337
Intermediate sources	1,530	0
State sources	7,803,209	8,896
Federal sources	1,389,011	334,379
Total revenues	<u>14,179,797</u>	<u>605,612</u>
Expenditures:		
Instruction	8,770,150	0
Support services	3,964,268	0
Non-instructional programs	0	606,821
Other expenditures	1,335,432	0
Total expenditures	<u>14,069,850</u>	<u>606,821</u>
Excess (deficiency) of revenues over (under) expenditures	109,947	(1,209)
Other financing sources, net	<u>9,000,000</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	9,109,947	(1,209)
Balance beginning of year	<u>3,625,840</u>	<u>111,310</u>
Balance end of year	<u>\$ 12,735,787</u>	<u>110,101</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
5,248,384	5,215,158	5,215,158	33,226
1,530	0	0	1,530
7,812,105	7,869,694	7,869,694	(57,589)
1,723,390	1,065,000	1,065,000	658,390
<u>14,785,409</u>	<u>14,149,852</u>	<u>14,149,852</u>	<u>635,557</u>
8,770,150	8,675,000	8,795,000	24,850
3,964,268	3,614,500	4,250,000	285,732
606,821	642,000	642,000	35,179
1,335,432	639,450	1,408,450	73,018
<u>14,676,671</u>	<u>13,570,950</u>	<u>15,095,450</u>	<u>418,779</u>
108,738	578,902	(945,598)	1,054,336
<u>9,000,000</u>	<u>0</u>	<u>0</u>	<u>9,000,000</u>
9,108,738	578,902	(945,598)	10,054,336
<u>3,737,150</u>	<u>3,500,023</u>	<u>3,500,023</u>	<u>237,127</u>
<u><u>12,845,888</u></u>	<u><u>4,078,925</u></u>	<u><u>2,554,425</u></u>	<u><u>10,291,463</u></u>

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. 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 disbursements by \$1,524,500.

OTHER SUPPLEMENTARY INFORMATION

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	Special Revenue Funds				Debt Service	Total Other Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds		
<b>ASSETS</b>						
Cash and pooled investments	\$ 305,018	160,118	294,051	759,187	14,005	773,192
Receivables:						
Property tax:						
Current year delinquent	4,996	0	2,090	7,086	0	7,086
Succeeding year	236,895	0	100,388	337,283	0	337,283
Income surtax	0	0	253,886	253,886	0	253,886
Accounts	77	0	0	77	0	77
<b>TOTAL ASSETS</b>	<b>\$ 546,986</b>	<b>160,118</b>	<b>650,415</b>	<b>1,357,519</b>	<b>14,005</b>	<b>1,371,524</b>
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities:						
Accounts payable	\$ 0	34,317	32	34,349	0	34,349
Deferred revenue:						
Succeeding year property tax	236,895	0	100,388	337,283	0	337,283
Income surtax	0	0	253,886	253,886	0	253,886
	236,895	34,317	354,306	625,518	0	625,518
Fund equity:						
Fund balances:						
Reserved for:						
Debt Service	0	0	0	0	14,005	14,005
Unreserved:						
Undesignated	310,091	125,801	296,109	732,001	0	732,001
Total fund balances	310,091	125,801	296,109	732,001	14,005	746,006
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 546,986</b>	<b>160,118</b>	<b>650,415</b>	<b>1,357,519</b>	<b>14,005</b>	<b>1,371,524</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 235,273	0	98,410	333,683	0	333,683
Other	4,387	375,053	4,785	384,225	14,005	398,230
State sources	234	0	98	332	0	332
TOTAL REVENUES	239,894	375,053	103,293	718,240	14,005	732,245
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	414,650	0	414,650	0	414,650
Support services:						
Administration services	209,173	0	0	209,173	0	209,173
Operation and maintenance of plant services	75,207	0	0	75,207	0	75,207
Student transportation	18,492	0	0	18,492	0	18,492
Other expenditures:						
Facilities acquisitions	0	0	51,369	51,369	0	51,369
Long-term debt:						
Interest and fiscal charges	0	0	0	0	148,869	148,869
TOTAL EXPENDITURES	302,872	414,650	51,369	768,891	148,869	917,760
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(62,978)	(39,597)	51,924	(50,651)	(134,864)	(185,515)
OTHER FINANCING SOURCES:						
Transfers in	0	0	0	0	148,869	148,869
TOTAL OTHER FINANCING SOURCES	0	0	0	0	148,869	148,869
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(62,978)	(39,597)	51,924	(50,651)	14,005	(36,646)
FUND BALANCE BEGINNING OF YEAR	373,069	165,398	244,185	782,652	0	782,652
FUND BALANCE END OF YEAR	\$ 310,091	125,801	296,109	732,001	14,005	746,006

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Savings Interest	\$ 0	142	142	0
District Registration	0	23,335	23,335	0
Cross Country	516	3,621	4,137	0
Boys Basketball	5,215	10,002	8,169	7,048
Football	7,168	17,437	17,050	7,555
Special Fundraising	284	0	0	284
Fitness Football	892	4,298	2,490	2,700
Boys Soccer	37	1,632	1,669	0
Girls Soccer	0	2,509	2,509	0
Baseball Metro Dome	0	482	416	66
Baseball	0	8,050	8,050	0
Boys Golf	26	2,457	2,483	0
Girls Golf	0	687	687	0
Wrestling	0	15,814	15,814	0
Girls Basketball	4,973	4,923	5,269	4,627
Fitness Girls BB	861	2,102	1,941	1,022
Volleyball	2,751	7,318	7,951	2,118
Softball	0	4,276	4,276	0
Boys Track	967	2,708	3,115	560
Girls Track	0	4,100	4,100	0
Boys Tennis	0	405	405	0
Girls Tennis	0	536	536	0
Chelsea Activity	2,219	592	30	2,781
Chelsea Assembly	1,538	253	216	1,575
Montour Activities	98	0	98	0
Montour Book Fair	86	0	86	0
Primary Activities	4,324	3,041	1,520	5,845
Primary Assembly	3,245	350	520	3,075
Primary Book Fair	1,332	0	1,332	0
Primary Red Ribbon	205	0	205	0
Interm Activities	7,424	2,527	1,352	8,599
Interm Assembly	1,931	599	1,329	1,201
Interm Book Fair	604	0	604	0
MS Activities	1,217	845	0	2,062
MS Assembly	2,746	415	1,177	1,984
MS Athletics	30	6,817	6,847	0
MS Concessions	526	0	0	526
MS Band	1,505	720	1,021	1,204
MS Vocal	668	130	82	716
PE Club MS	4	0	0	4
MS Student Council	779	770	1,232	317
MS Magazine Sales	5,462	42,039	41,324	6,177
MS Special Ed Activity	5,713	692	76	6,329
MS Fundraising	0	956	100	856
HS Activities	2,634	1,634	699	3,569
HS Atheltic-Activity	0	6,008	6,008	0
SBYS Pop	164	1,411	1,264	311
Diversity Account	9	1,524	1,052	481

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Drill Team	5,147	3,369	2,824	5,692
Technology Club	410	0	0	410
A F S	27	0	0	27
Annual	5,160	8,248	6,909	6,499
Art Activities	321	52	69	304
Art Club	261	346	509	98
Cheerleaders	2,317	1,906	2,767	1,456
ALM Club	903	1,099	1,252	750
HS Class Activity	18,148	(17,842)	306	0
Class of 2006	133	0	51	82
Class of 2007	(15)	200	12	173
Class of 2008	(86)	200	55	59
Class of 2004	(416)	416	0	0
HS Concessions	5,318	32,551	36,385	1,484
Drama Club	1,600	4,235	4,222	1,613
Environmental Science	88	6,374	6,462	0
FCA Club	54	0	0	54
FFA Club	1,347	5,444	5,862	929
Class of 2005	19	2,500	758	1,761
National Honor Society	0	336	336	0
HS Juice Account	18,175	(8,498)	9,677	0
HS Band	(870)	3,166	2,296	0
Harding Street	940	1,342	1,098	1,184
Musical	4,693	2,236	342	6,587
HS Vocal	258	620	(429)	1,307
Music Dept Cards	2,916	390	2,916	390
HS PE Club	110	45	0	155
Plays	2,526	2,496	3,959	1,063
Pop, Athletics	1,500	739	1,257	982
Pop, HS Student	11,503	13,376	24,879	0
Soda Club	222	0	0	222
Spanish Club	122	0	36	86
Speech Activities	0	6,854	6,854	0
Speech Club	219	0	76	143
HS Special Ed	227	0	0	227
HS Student Council	214	6,203	6,233	184
HS Vending	8,965	10,529	17,581	1,913
Spanish Spain Trip	2,206	1,419	3,625	0
Volleyball Club	1,792	875	300	2,367
HS Prom Account	434	2,194	1,750	878
HS Instrumental Music, Mansfield	5	12,000	11,220	785
HS Music Madrigals	145	0	0	145
Band Fundraising	0	77,967	66,838	11,129
FCCLA Club - Fams & Cons Science	137	0	0	137
Industrial Tech Club	70	0	0	70
HS Band	0	2,354	1,490	864
Athletic Tickets	0	1,155	1,155	0
Total	\$ 165,398	375,053	414,650	125,801

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 66,468	115,401	37,269	144,600
<b>Liabilities</b>				
Accounts payable	\$ 0	50	0	50
Due to other groups	66,468	115,351	37,269	144,550
Total liabilities	\$ 66,468	115,401	37,269	144,600

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,122,921	3,633,127	3,675,032	3,333,921
Tuition	132,301	126,783	141,409	193,233
Other	730,825	593,641	607,022	633,953
Intermediate sources	1,530	1,825	844	1,928
State sources	7,803,209	6,952,980	6,884,766	6,906,478
Federal sources	1,389,011	1,246,690	939,223	826,814
<b>Total</b>	<b>\$ 14,179,797</b>	<b>12,555,046</b>	<b>12,248,296</b>	<b>11,896,327</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 5,169,553	5,222,259	4,674,276	4,843,767
Special instruction	2,510,195	2,402,292	2,215,080	2,180,734
Other instruction	1,090,402	884,448	887,089	937,592
Support services:				
Student services	230,147	307,912	209,646	195,324
Instructional staff services	197,301	184,627	175,599	181,331
Administration services	2,022,185	1,540,421	1,457,029	1,359,980
Operation and maintenance of plant services	1,049,550	982,246	951,816	891,463
Transportation services	465,085	491,554	462,354	397,704
Central services	0	7,533	8,541	13,004
Other expenditures:				
Facilities acquisitions	687,194	75,135	71,525	85,501
Long-term debt:				
Interest	148,869	0	0	0
AEA flow-through	499,369	472,195	482,083	483,115
<b>Total</b>	<b>\$ 14,069,850</b>	<b>12,570,622</b>	<b>11,595,038</b>	<b>11,569,515</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION			
IMPACT AID GRANT	84.041	FY 05	\$ <u>607,471</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	<u>36,473</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	45,276
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	<u>252,630</u>
			<u>297,906</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	6098-GC	55,122
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	6098-G	<u>219,773</u>
			<u>274,895</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
	84.298	FY 05	<u>9,652</u>
READING FIRST STATE GRANTS			
	84.357	FY 03	13,942
READING FIRST STATE GRANTS	84.357	FY 03	<u>112,152</u>
			<u>126,094</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 04	34,908
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 05	<u>58,779</u>
			<u>93,687</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)			
	84.369	FY 05	<u>9,762</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 05	<u>24,927</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 04	39,480
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 05	91,410
			<u>130,890</u>
TOTAL			<u>\$ 1,611,757</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the South Tama County 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 general-purpose 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  
South Tama County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of South Tama County Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 23, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Tama County Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Tama County 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 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.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of South Tama County 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.

August 23, 2005

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

**Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of the  
South Tama County Community School District:

Compliance

We have audited the compliance of South Tama County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. South Tama County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of South Tama County Community School District's management. Our responsibility is to express an opinion on South Tama County Community School District's compliance based on our audit.

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

In our opinion, South Tama County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of South Tama County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered South Tama County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect South Tama County Community School District's ability to administer

a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-05 is a material weakness.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

August 23, 2005

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Report

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified 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 program were as follows:
  - Clustered
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
  - Individual
    - CFDA Number 84.041 – Impact Aid Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) South Tama County Community School District did not qualify as a low-risk auditee.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

II-B-05 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements of the General Fund to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - Bank reconciliations will be reconciled with the general ledger on a monthly basis.

Conclusion - Response accepted.

II-C-05 Student Activity Accounts - We noted during the audit that the Student Activity Fund included a juice account. The expenditures in this account appear to be instructional in nature, and should be moved to the General Fund.

Recommendation - The juice account should be moved to the General Fund because the expenditures appear to be more instructional in nature.

Response - All activity accounts will be reviewed to ensure the expenditures are not instructional in nature.

Conclusion - Response accepted.

II-D-05 Sale of Building - We noted during our audit that when the District sold a building, it recorded the revenue from the sale in the General Fund.

Recommendation - The sale of real property should be placed in the Physical Plant and Equipment Levy Fund, per Chapter 297.22 of the Code of Iowa. The District should make a corrective transfer of \$2,500 to properly record the sale of the building.

Response - The corrective transfer will be made.

Conclusion - Response accepted.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

III-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS  
 YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amended certified budget amounts in the functional areas.

IV-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979. However, we did note that travel reimbursements were being paid using a credit card slip as supporting documentation, rather than a detailed receipt.

Recommendation - The District should review its procedures in place when reimbursing for travel expenses. The District should require detailed receipts as supporting documentation.

Response - Detailed receipts will be required for all credit card expenditures.

Conclusion - Response accepted.

IV-D-05 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-E-05 Business Transactions - Business transactions between the District and District officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mararet Kubik, Board Member	Substitute Nurse	\$251
Tim Down, Maintenance Supervisor Spouse owns Ben Franklin	Various	\$1,460

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with the board member does not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the maintenance supervisor does not appear to represent a conflict of interest.

IV-F-05 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-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-05 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

IV-I-05 Deposits and Investments - We noted during our audit that the District held investments in the form of stock. The District should review provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

Recommendation - The District should sell the stock and invest in allowable investments.

Response - The stock has been sold.

Conclusion - Response accepted.

IV-J-05 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.