

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

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South Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
G. Joe Lyon	President	2006
Alan Upah	Vice President	2007
Margaret Kubik	Board Member	2007
Donald Wacha	Board Member	2008
Jackie Dvorak	Board Member	2008
Board of Education (After September 2006 Election)		
Alan Upah	President	2007
Donald Wacha	Vice President	2008
Margaret Kubik	Board Member	2007
Jackie Dvorak	Board Member	2008
Ron Hala	Board Member	2009
School Officials		
Larry Molacek	Superintendent	2007
Mark Fetter	District Secretary	2007
Greg Darling	Business Manager/ District Treasurer	2007
Peter Pashler	Attorney	2007
Joel Greer	Attorney	2007

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, 2007, 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, 2007, 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 report dated March 10, 2008 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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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, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, 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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2008

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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,613,902 in fiscal 2006 to \$13,035,852 in fiscal 2007, while General Fund expenditures increased from \$13,228,285 in fiscal 2006 to \$13,326,858 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$2,271,698 in fiscal 2006 to a balance of \$1,986,121 in fiscal 2007, a 12.6% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local, state and federal sources in fiscal 2007. The increase in expenditures was due primarily to an increases in negotiated salaries and benefits.

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.

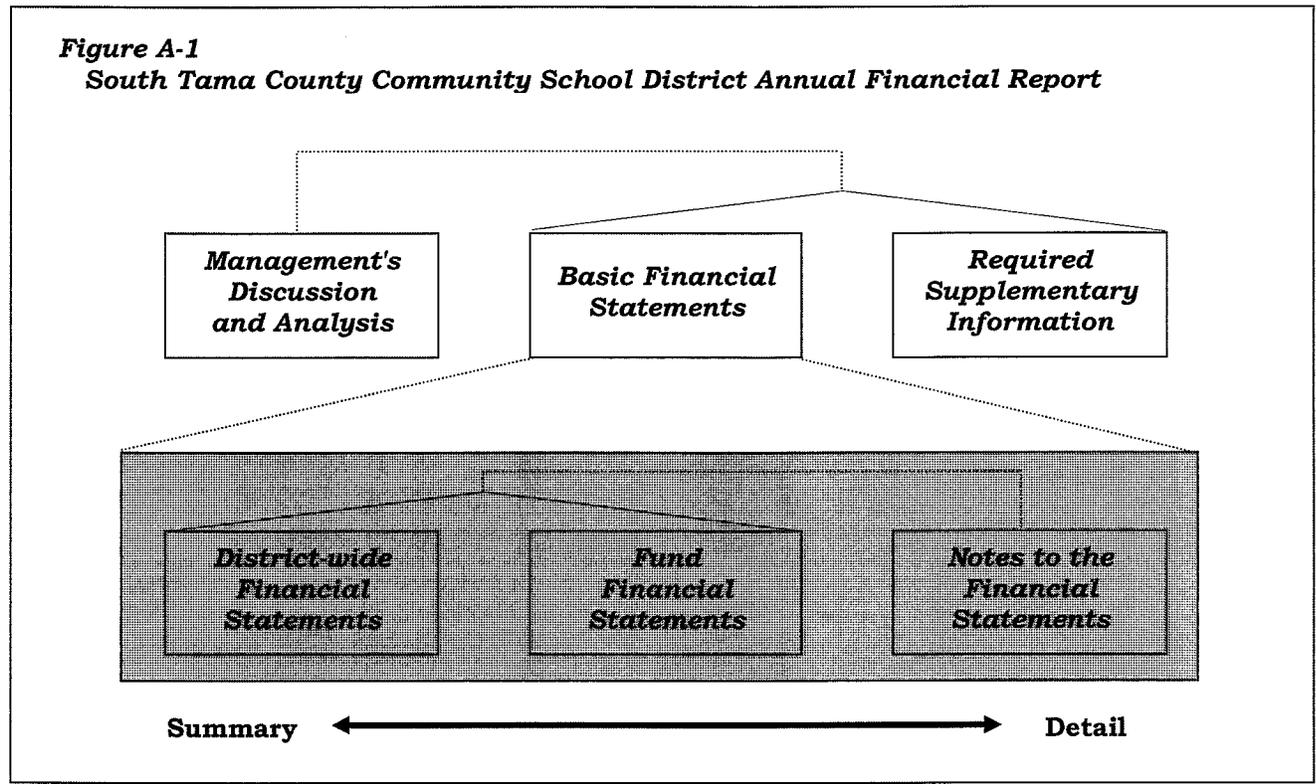


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 9,258,632	10,589,947	68,259	98,755	9,326,891	10,688,702	-12.74%
Capital assets	12,658,355	11,207,845	96,962	75,388	12,755,317	11,283,233	13.05%
Total assets	21,916,987	21,797,792	165,221	174,143	22,082,208	21,971,935	0.50%
Long-term obligations	8,886,633	9,333,912	0	0	8,886,633	9,333,912	-4.79%
Other liabilities	5,301,432	5,343,751	25,177	23,969	5,326,609	5,367,720	-0.77%
Total liabilities	14,188,065	14,677,663	25,177	23,969	14,213,242	14,701,632	-3.32%
Net assets:							
Invested in capital assets, net of related debt	4,437,605	4,293,513	96,962	75,388	4,534,567	4,368,901	3.79%
Restricted	1,788,784	894,158	0	0	1,788,784	894,158	100.05%
Unrestricted	1,502,533	1,932,458	43,082	74,786	1,545,615	2,007,244	-23.00%
Total net assets	\$ 7,728,922	7,120,129	140,044	150,174	7,868,966	7,270,303	8.23%

The District's combined net assets increased by 8.23%, or \$598,663, 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 \$894,626, or 100.05% 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 \$461,629, or 23.00%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 496,014	513,620	265,365	261,942	761,379	775,562	-1.83%
Operating grants and contributions and restricted interest	2,456,070	2,252,228	378,184	370,592	2,834,254	2,622,820	8.06%
Capital grants and contributions and restricted interest	0	500,000	0	0	0	500,000	-100.00%
General revenues:							
Local tax	3,517,078	3,691,515	0	0	3,517,078	3,691,515	-4.73%
Local option sales and service tax	941,163	801,532	0	0	941,163	801,532	17.42%
Unrestricted state grants	7,022,485	7,008,222	0	0	7,022,485	7,008,222	0.20%
Other	357,966	318,832	1,666	1,568	359,632	320,400	12.24%
Transfers	(32,109)	(43,586)	32,109	43,586	0	0	0.00%
Total revenues	14,758,667	15,042,363	677,324	677,688	15,435,991	15,720,051	-1.81%
Program expenses:							
Governmental activities:							
Instruction	8,885,308	8,796,235	0	0	8,885,308	8,796,235	1.01%
Support services	4,115,592	4,403,815	0	0	4,115,592	4,403,815	-6.54%
Non-instructional programs	0	0	687,454	637,615	687,454	637,615	7.82%
Other expenses	1,148,974	975,755	0	0	1,148,974	975,755	17.75%
Total expenses	14,149,874	14,175,805	687,454	637,615	14,837,328	14,813,420	0.16%
Change in net assets	608,793	866,558	(10,130)	40,073	598,663	906,631	-33.97%
Net assets beginning of year	7,120,129	6,253,571	150,174	110,101	7,270,303	6,363,672	14.25%
Net assets end of year	\$ 7,728,922	7,120,129	140,044	150,174	7,868,966	7,270,303	8.23%

In fiscal 2007, property tax and unrestricted state grants account for 71.41% of the revenue from governmental activities while charges for services and operating grants and contributions account for 95.01% of the revenue from business type activities.

The District's total revenues were approximately \$15.44 million of which \$14.76 million was for governmental activities and \$.68 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.81% decrease in revenues and a 0.16% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$14,758,667 and expenses were \$14,149,874.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 8,885,308	8,796,235	1.01%	6,463,207	6,543,450	-1.23%
Support services	4,115,592	4,447,401	-7.46%	4,113,640	4,446,808	-7.49%
Other expenses	1,148,974	975,755	17.75%	620,943	(36,715)	1791.25%
Totals	\$ 14,149,874	14,219,391	-0.49%	11,197,790	10,953,543	2.23%

- The cost financed by users of the District's programs was \$496,014.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,456,070.
- The net cost of governmental activities was financed with \$3,517,078 in property tax, \$941,163 in local option sales and services tax, \$7,022,485 in unrestricted state grants and \$217,542 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$677,324 and expenses were \$687,454. 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 \$3,720,311, compared to last year's ending fund balances of \$5,026,827. However, the primary reason for the decrease in combined fund balances is due to the construction costs incurred during the year.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors:
 - Increase in state aid grants and local sources during the year resulted in an increase in revenues.
 - The increase in expenditures was due to increases in the negotiated salary and benefits.
 - The increase in expenditures was greater than the increase in revenues thus ensuring the decline to the General Fund.

- The Capital Projects Fund balance decreased from \$1,828,573 in fiscal 2006 to \$1,159,660 in fiscal 2007. This was due to the construction costs incurred during the current year.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$150,174 at June 30, 2006 to \$140,044 at June 30, 2007, representing an decrease of 6.75%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$161,989 more than budgeted revenues, a variance of 1.06%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Initially, 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.

In spite of the District’s budgetary practice, the certified budget was exceeded in the support services, non-instructional and other expenditures functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$12,755,317, 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 13.05% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$509,435.

The original cost of the District’s capital assets was \$17,377,611. Governmental funds account for \$17,143,684 with the remainder of \$233,927 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District’s construction in progress totaled \$0 at June 30, 2007, compared to \$9,223,509 reported at June 30, 2006. This decrease resulted from completion of construction projects in the District.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-Type		Total		Total Change
	Activities		Activities		School District		
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	
Land	\$ 315,400	315,400	0	0	315,400	315,400	0.00%
Construction in progress	0	9,223,509	0	0	0	9,223,509	-100.00%
Buildings	11,536,195	773,548	0	0	11,536,195	773,548	1391.34%
Improvements other than buildings	194,624	179,977	0	0	194,624	179,977	8.14%
Machinery and equipment	612,136	715,411	96,962	75,388	709,098	790,799	-10.33%
Total	\$ 12,658,355	11,207,845	96,962	75,388	12,755,317	11,283,233	13.05%

Long-Term Debt

At June 30, 2007, the District had \$8,886,633 in general obligation and other long-term debt outstanding. This represents a decrease of 4.8% 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 \$8,355,000 at June 30, 2007.

The District had compensated absences at June 30, 2007 of \$79,716.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$451,917 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 8,355,000	8,685,000	-3.8%
Compensated absences	79,716	63,726	25.1%
Early retirement	451,917	585,186	-22.8%
Totals	<u>\$ 8,886,633</u>	<u>9,333,912</u>	<u>-4.8%</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:

- 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 Greg Darling, Business Manager/District Treasurer, 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, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,813,290	45,927	4,859,217
Receivables:			
Property tax:			
Delinquent	102,061	0	102,061
Succeeding year	3,511,249	0	3,511,249
Income surtax	293,144	0	293,144
Accounts	3,114	1,104	4,218
Due from other governments	535,774	0	535,774
Inventories	0	21,228	21,228
Capital assets, net of accumulated depreciation(Note 4)	12,658,355	96,962	12,755,317
Total Assets	21,916,987	165,221	22,082,208
Liabilities			
Accounts payable	370,998	0	370,998
Salaries and benefits payable	1,324,734	18,401	1,343,135
Accrued interest payable	56,255	0	56,255
Deferred revenue:			
Succeeding year property tax	3,511,249	0	3,511,249
Other	38,196	0	38,196
Unearned revenue	0	6,776	6,776
Long-term liabilities(Note 5):			
Portion due within one year:			
General obligation bonds payable	345,000	0	345,000
Compensated absences	79,716	0	79,716
Early retirement payable	182,503	0	182,503
Portion due after one year:			
General obligation bonds payable	8,010,000	0	8,010,000
Early retirement payable	269,414	0	269,414
Total Liabilities	14,188,065	25,177	14,213,242
Net Assets			
Invested in capital assets, net of related debt	4,437,605	96,962	4,534,567
Restricted for:			
Early intervention	134,250	0	134,250
Talented and gifted	164,977	0	164,977
Salary improvement program	4,572	0	4,572
Beginning teacher mentoring	23,089	0	23,089
Additional teacher contract day	1,332	0	1,332
Beginning administrator mentoring	3,429	0	3,429
Physical plant and equipment levy	310,238	0	310,238
Capital projects	1,025,410	0	1,025,410
Other special revenue purposes	121,487	0	121,487
Unrestricted	1,502,533	43,082	1,545,615
Total Net Assets	\$ 7,728,922	140,044	7,868,966

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Governmental activities:						
Instruction:						
Regular instruction	\$ 5,553,826	163,269	1,837,963	(3,552,594)	0	(3,552,594)
Special instruction	1,847,852	13,140	90,076	(1,744,636)	0	(1,744,636)
Other instruction	1,483,630	317,653	0	(1,165,977)	0	(1,165,977)
	<u>8,885,308</u>	<u>494,062</u>	<u>1,928,039</u>	<u>(6,463,207)</u>	<u>0</u>	<u>(6,463,207)</u>
Support services:						
Student services	144,530	0	0	(144,530)	0	(144,530)
Instructional staff services	240,887	0	0	(240,887)	0	(240,887)
Administration services	1,893,582	0	0	(1,893,582)	0	(1,893,582)
Operation and maintenance of plant services	1,247,359	0	0	(1,247,359)	0	(1,247,359)
Transportation services	589,234	1,952	0	(587,282)	0	(587,282)
	<u>4,115,592</u>	<u>1,952</u>	<u>0</u>	<u>(4,113,640)</u>	<u>0</u>	<u>(4,113,640)</u>
Other expenditures:						
Long-term debt interest	343,705	0	0	(343,705)	0	(343,705)
AEA flowthrough	528,031	0	528,031	0	0	0
Depreciation (unallocated)*	277,238	0	0	(277,238)	0	(277,238)
	<u>1,148,974</u>	<u>0</u>	<u>528,031</u>	<u>(620,943)</u>	<u>0</u>	<u>(620,943)</u>
Total governmental activities	14,149,874	496,014	2,456,070	(11,197,790)	0	(11,197,790)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	687,454	265,365	378,184	0	(43,905)	(43,905)
Total business-type activities	<u>687,454</u>	<u>265,365</u>	<u>378,184</u>	<u>0</u>	<u>(43,905)</u>	<u>(43,905)</u>
Total	<u>\$ 14,837,328</u>	<u>761,379</u>	<u>2,834,254</u>	<u>(11,197,790)</u>	<u>(43,905)</u>	<u>(11,241,695)</u>
General Revenues & Transfers:						
General revenues:						
Local tax for:						
General purposes				\$ 3,442,231	0	3,442,231
Capital outlay				74,847	0	74,847
Local option sales and services tax				941,163	0	941,163
Unrestricted state grants				7,022,485	0	7,022,485
Unrestricted investment earnings				217,542	1,666	219,208
Gain on sale of equipment				6,329	0	6,329
Other				134,095	0	134,095
Transfers				(32,109)	32,109	0
Total general revenues & transfers				<u>11,806,583</u>	<u>33,775</u>	<u>11,840,358</u>
Changes in net assets				608,793	(10,130)	598,663
Net assets beginning of year				<u>7,120,129</u>	<u>150,174</u>	<u>7,270,303</u>
Net assets end of year				<u>\$ 7,728,922</u>	<u>140,044</u>	<u>7,868,966</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	Other Nonmajor			Total
	General	Capital Projects	Governmental Funds	
Assets				
Cash and pooled investments	\$ 3,401,470	733,400	678,420	4,813,290
Receivables:				
Property tax:				
Delinquent	92,770	0	9,291	102,061
Succeeding year	3,191,137	0	320,112	3,511,249
Income surtax	0	0	293,144	293,144
Accounts	2,290	0	824	3,114
Due from other governments	106,941	426,260	2,573	535,774
Total Assets	\$ 6,794,608	1,159,660	1,304,364	9,258,632
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 254,420	0	116,578	370,998
Salaries and benefits payable	1,324,734	0	0	1,324,734
Deferred revenue:				
Succeeding year property tax	3,191,137	0	320,112	3,511,249
Income surtax	0	0	293,144	293,144
Other	38,196	0	0	38,196
Total liabilities	4,808,487	0	729,834	5,538,321
Fund balances:				
Reserved for:				
Construction	0	134,250	0	134,250
Early intervention	164,977	0	0	164,977
Talented and gifted	4,572	0	0	4,572
Salary improvement program	23,089	0	0	23,089
Beginning teacher mentoring	1,332	0	0	1,332
Additional teacher contract day	3,429	0	0	3,429
Beginning administrator mentoring	1,500	0	0	1,500
Unreserved	1,787,222	1,025,410	574,530	3,387,162
Total fund balances	1,986,121	1,159,660	574,530	3,720,311
Total Liabilities and Fund Balance	\$ 6,794,608	1,159,660	1,304,364	9,258,632

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, 2007

Total fund balances of governmental funds (page 15)	\$ 3,720,311
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	12,658,355
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	293,144
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.	(56,255)
Long-term liabilities, including general obligation bonds, early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(8,886,633)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 7,728,922</u></u>

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, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,182,504	941,163	318,704	4,442,371
Tuition	139,472	0	0	139,472
Other	236,081	131,265	341,311	708,657
Intermediate sources	2,000	0	0	2,000
State sources	8,254,722	0	282	8,255,004
Federal sources	1,221,073	0	0	1,221,073
Total revenues	<u>13,035,852</u>	<u>1,072,428</u>	<u>660,297</u>	<u>14,768,577</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	5,669,803	0	0	5,669,803
Special instruction	1,919,218	0	0	1,919,218
Other instruction	1,410,251	0	300,252	1,710,503
	<u>8,999,272</u>	<u>0</u>	<u>300,252</u>	<u>9,299,524</u>
Support services:				
Student services	218,513	0	0	218,513
Instructional staff services	266,279	0	32,817	299,096
Administration services	1,627,969	0	262,460	1,890,429
Operation and maintenance of plant services	1,128,781	0	207,042	1,335,823
Transportation services	558,013	0	16,543	574,556
	<u>3,799,555</u>	<u>0</u>	<u>518,862</u>	<u>4,318,417</u>
Other expenditures:				
Facilities acquisitions	0	1,065,986	194,109	1,260,095
Long-term debt:				
Principal	0	0	330,000	330,000
Interest	0	0	345,355	345,355
AEA flowthrough	528,031	0	0	528,031
	<u>528,031</u>	<u>1,065,986</u>	<u>869,464</u>	<u>2,463,481</u>
Total expenditures	<u>13,326,858</u>	<u>1,065,986</u>	<u>1,688,578</u>	<u>16,081,422</u>
Excess (deficiency) of revenues over (under) expenditures	(291,006)	6,442	(1,028,281)	(1,312,845)
Other financing sources (uses):				
Transfers in	0	0	675,355	675,355
Transfers out	0	(675,355)	0	(675,355)
Sale of real property	5,429	0	900	6,329
Total other financing sources (uses)	<u>5,429</u>	<u>(675,355)</u>	<u>676,255</u>	<u>6,329</u>
Net change in fund balances	(285,577)	(668,913)	(352,026)	(1,306,516)
Fund balance beginning of year	2,271,698	1,828,573	926,556	5,026,827
Fund balance end of year	<u>\$ 1,986,121</u>	<u>1,159,660</u>	<u>574,530</u>	<u>3,720,311</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, 2007

Net change in fund balances - total governmental funds (page 17) \$ (1,306,516)

*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	\$ 1,948,628	
Depreciation expense	<u>(498,118)</u>	1,450,510

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 15,870

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 330,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,650

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	\$ 133,269	
Compensated Absences	<u>(15,990)</u>	<u>117,279</u>

Changes in net assets of governmental activities (page 14) \$ 608,793

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	School Nutrition
Assets	
Cash and pooled investments	\$ 45,927
Accounts receivable	1,104
Inventories	21,228
Capital assets, net of accumulated depreciation(Note 4)	96,962
Total Assets	165,221
 Liabilities	
Salaries and benefits payable	18,401
Unearned revenue	6,776
Total Liabilities	25,177
 Net Assets	
Invested in capital assets	96,962
Unrestricted	43,082
Total Net Assets	\$ 140,044

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, 2007

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 265,365
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	283,266
Benefits	38,658
Services	4,074
Supplies	349,722
Depreciation	11,317
TOTAL OPERATING EXPENSES	687,037
OPERATING LOSS	(421,672)
NON-OPERATING REVENUES:	
State sources	8,759
Federal sources	369,425
Interest on investments	1,666
TOTAL NON-OPERATING REVENUES	379,850
Net loss before other financing sources(uses)	(41,822)
OTHER FINANCING SOURCES(USES):	
Capital contributions	32,109
Loss on asset disposal	(417)
TOTAL OTHER FINANCING SOURCES(USES)	31,692
Net loss	(10,130)
Net assets beginning of year	150,174
Net assets end of year	\$ 140,044

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 264,313
Cash received from miscellaneous	1,024
Cash payments to employees for services	(320,955)
Cash payments to suppliers for goods or services	(321,508)
Net cash used in operating activities	(377,126)
Cash flows from non-capital financing activities:	
State grants received	8,759
Federal grants received	336,328
Net cash provided by non-capital financing activities:	345,087
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,199)
Cash flows from investing activities:	
Interest on investments	1,666
Net decrease in cash and cash equivalents	(31,572)
Cash and cash equivalents at beginning of year	77,499
Cash and cash equivalents at end of year	\$ 45,927
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (421,672)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	33,097
Depreciation	11,317
Increase in inventories	(809)
Increase in accounts receivable	(267)
Increase in salaries and benefits payable	969
Increase in unearned revenue	239
Net cash used in operating activities	\$ (377,126)

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR
END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE
SHEET:

Current assets:	
Cash and pooled investments	\$ 45,927

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received
Federal commodities valued at \$33,097.

During the year end June 30, 2007, the Nutrition Fund received
contributed capital of \$2,207 from the Capital Projects Fund.

During the year end June 30, 2007, the Nutrition Fund received
contributed capital of \$29,902 from the Physical Plant and
Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 29,518
Due from other groups	500
Total Assets	<u>\$ 30,018</u>
Liabilities	
Accounts payable	\$ 1,000
Due to other groups	29,018
Total liabilities	<u>\$ 30,018</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(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 Balances

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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.

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

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, 2007. 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 Balances - 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. During the year ended June 30, 2007, expenditures in the support services, non-instructional and other expenditures functions exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 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, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>249,671</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.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and are held by the District in the District's name. Certificates are stated at fair value.

At June 30, 2007, the District had investments in Certificates of Deposit maturing over one year as follows:

	<u>Fair Value</u>
Certificates of deposit	\$ <u>748,758</u>

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>675,355</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, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 315,400	0	0	315,400
Construction in progress	9,223,509	1,138,780	10,362,289	0
Total capital assets not being depreciated	<u>9,538,909</u>	<u>1,138,780</u>	<u>10,362,289</u>	<u>315,400</u>
Capital assets being depreciated:				
Buildings	2,532,004	11,025,977	0	13,557,981
Land improvements	249,594	28,555	0	278,149
Machinery and equipment	2,874,549	117,605	0	2,992,154
Total capital assets being depreciated	<u>5,656,147</u>	<u>11,172,137</u>	<u>0</u>	<u>16,828,284</u>
Less accumulated depreciation for:				
Buildings	1,758,456	263,330	0	2,021,786
Land improvements	69,617	13,908	0	83,525
Machinery and equipment	2,159,138	220,880	0	2,380,018
Total accumulated depreciation	<u>3,987,211</u>	<u>498,118</u>	<u>0</u>	<u>4,485,329</u>
Total capital assets being depreciated, net	<u>1,668,936</u>	<u>10,674,019</u>	<u>0</u>	<u>12,342,955</u>
Governmental activities capital assets, net	<u>\$ 11,207,845</u>	<u>11,812,799</u>	<u>10,362,289</u>	<u>12,658,355</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 202,469	33,308	1,850	233,927
Less accumulated depreciation	127,081	11,317	1,433	136,965
Business-type activities capital assets, net	<u>\$ 75,388</u>	<u>21,991</u>	<u>417</u>	<u>96,962</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 110,298
Support services:	
Instructional staff	20,154
Administration	8,939
Operation and maintenance of plant	28,827
Transportation	52,662
	<u>220,880</u>
Unallocated depreciation	<u>277,238</u>
Total governmental activities depreciation expense	<u>\$ 498,118</u>
Business-type activities:	
Food services	<u>\$ 11,317</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 8,685,000	0	330,000	8,355,000	345,000
Compensated absences	63,726	79,716	63,726	79,716	79,716
Early retirement	585,186	55,031	188,300	451,917	182,503
Total	\$ 9,333,912	134,747	582,026	8,886,633	607,219

Bonds Payable

Details of the District's June 30, 2007 general obligation bonds are as follows:

Year Ending June 30,	Bond issue dated December 1, 2004			
	Interest Rates	Principal	Interest	Total
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		\$ 8,355,000	3,338,642	11,693,642

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, 2007, totaled \$188,300. 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, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$509,278, \$513,469, and \$474,464 respectively, equal to the required contributions for each year.

(7) Risk Management

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 \$528,031 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the support services, non-instructional and other expenditures functions exceeded the amounts budgeted.

(10) Contingencies

As of June 30, 2007, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 5,290,500	267,031	5,557,531	5,548,438	5,548,438	9,093
Intermediate sources	2,000	0	2,000	3,000	3,000	(1,000)
State sources	8,255,004	8,759	8,263,763	8,130,365	8,130,365	133,398
Federal sources	1,221,073	369,425	1,590,498	1,570,000	1,570,000	20,498
Total revenues	14,768,577	645,215	15,413,792	15,251,803	15,251,803	161,989
Expenditures:						
Instruction	9,299,524	0	9,299,524	9,375,000	9,375,000	75,476
Support services	4,318,417	0	4,318,417	3,889,000	3,889,000	(429,417)
Non-instructional programs	0	687,037	687,037	650,000	650,000	(37,037)
Other expenditures	2,463,481	0	2,463,481	1,868,254	1,868,254	(595,227)
Total expenditures	16,081,422	687,037	16,768,459	15,782,254	15,782,254	(986,205)
Deficiency of revenues under expenditures	(1,312,845)	(41,822)	(1,354,667)	(530,451)	(530,451)	(824,216)
Other financing sources, net	6,329	31,692	38,021	0	0	38,021
Deficiency of revenues and other financing sources under expenditures	(1,306,516)	(10,130)	(1,316,646)	(530,451)	(530,451)	(786,195)
Balance beginning of year	5,026,827	150,174	5,177,001	4,996,462	4,996,462	180,539
Balance end of year	\$ 3,720,311	140,044	3,860,355	4,466,011	4,466,011	(605,656)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

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 ended June 30, 2007, expenditures in the support services, non-instructional and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
Assets				
Cash and pooled investments	\$ 135,696	127,534	415,190	678,420
Receivables:				
Property tax:				
Current year delinquent	7,109	0	2,182	9,291
Succeeding year	245,000	0	75,112	320,112
Income surtax	0	0	293,144	293,144
Accounts	0	824	0	824
Due from other governments	0	2,573	0	2,573
Total Assets	\$ 387,805	130,931	785,628	1,304,364
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 0	9,444	107,134	116,578
Deferred revenue:				
Succeeding year property tax	245,000	0	75,112	320,112
Income surtax	0	0	293,144	293,144
Total liabilities	245,000	9,444	475,390	729,834
Unreserved fund balances:	142,805	121,487	310,238	574,530
Total Liabilities and Fund Balances	\$ 387,805	130,931	785,628	1,304,364

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, 2007

	Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 243,857	0	74,847	318,704	0	318,704
Other	0	317,653	23,658	341,311	0	341,311
State sources	216	0	66	282	0	282
TOTAL REVENUES	244,073	317,653	98,571	660,297	0	660,297
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	300,252	0	300,252	0	300,252
Support services:						
Instructional staff services	0	0	32,817	32,817	0	32,817
Administration services	262,460	0	0	262,460	0	262,460
Operation and maintenance of plant services	73,969	0	133,073	207,042	0	207,042
Student transportation	16,543	0	0	16,543	0	16,543
Other expenditures:						
Facilities acquisitions	0	0	194,109	194,109	0	194,109
Long-term debt:						
Principal	0	0	0	0	330,000	330,000
Interest	0	0	0	0	345,355	345,355
TOTAL EXPENDITURES	352,972	300,252	359,999	1,013,223	675,355	1,688,578
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(108,899)	17,401	(261,428)	(352,926)	(675,355)	(1,028,281)
OTHER FINANCING SOURCES:						
Transfers in	0	0	0	0	675,355	675,355
Sale of real property	0	0	900	900	0	900
TOTAL OTHER FINANCING SOURCES	0	0	900	900	675,355	676,255
NET CHANGE IN FUND BALANCE	(108,899)	17,401	(260,528)	(352,026)	0	(352,026)
FUND BALANCE BEGINNING OF YEAR	251,704	104,086	570,766	926,556	0	926,556
FUND BALANCE END OF YEAR	\$ 142,805	121,487	310,238	574,530	0	574,530

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, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
District Registration	\$ 376	0	376	0
Cross Country	41	1,978	1,269	750
Boys Basketball	8,426	3,130	7,696	3,860
Football	(1,220)	35,393	29,770	4,403
Special Fundraising	66	0	0	66
Fitness Football	945	0	945	0
Boys Soccer	316	5,066	3,432	1,950
Girls Soccer	125	4,846	3,241	1,730
Baseball Metro Dome	144	0	144	0
Baseball	0	14,693	8,938	5,755
Boys Golf	0	1,340	925	415
Girls Golf	0	1,464	874	590
Golf Fundraising	0	692	245	447
Wrestling	1,500	14,696	12,264	3,932
Girls Basketball	1,500	6,609	4,509	3,600
Fitness Girls BB	1,226	45	330	941
Volleyball	1,112	3,764	3,344	1,532
Softball	0	6,524	3,616	2,908
Boys Track	272	10,574	5,070	5,776
Girls Track	0	5,920	3,788	2,132
Boys Tennis	0	945	445	500
Girls Tennis	0	1,298	798	500
Chelsea Activity	107	167	0	274
Chelsea Assembly	908	0	0	908
Elementary Activity	0	8,724	0	8,724
Elementary Assembly	0	3,836	0	3,836
Primary Landscaping	3,601	0	3,601	0
Primary Activities	5	0	5	0
Primary Assembly	3,021	0	3,021	0
Interm Activities	8,410	0	8,410	0
Interm Assembly	358	0	358	0
MS Activities	1,166	992	218	1,940
MS Assembly	2,597	947	396	3,148
MS Athletics	432	9,297	5,551	4,178
MS Concessions	526	0	0	526
MS Band	677	993	1,073	597
MS Vocal	831	158	440	549
PE Club MS	4	0	0	4
MS Student Council	751	1,113	444	1,420
MS Magazine Sales	1,152	47,612	42,977	5,787
MS Special Ed Activity	6,809	153	306	6,656
MS Fundraising	856	0	0	856
HS Activities	3,640	0	3,533	107
HS Athletic-Activity	2,664	0	2,664	0
SBYS Activities	131	91	0	222
SBYS Vending	91	0	91	0
Diversity Account	1,459	0	266	1,193
HS Drill Team	5,279	53	658	4,674
Technology Club	410	0	0	410

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
A F S	0	550	0	550
Annual	8,565	7,448	6,909	9,104
Art Activities	442	194	6	630
Art Club	228	623	45	806
Cheerleaders	2,395	5,625	5,359	2,661
ALM Club	686	1,003	1,305	384
HS Class Activity	307	0	0	307
Class of 2007	143	3,567	3,355	355
Class of 2008	59	0	46	13
Class of 2009	0	200	0	200
Class of 2010	0	150	0	150
HS Concessions	1,186	42,940	43,126	1,000
Drama Club	1,158	7,963	7,535	1,586
Environmental Science	821	0	821	0
FCA Club	54	0	0	54
FFA Club	559	23,370	23,237	692
National Honor Society	72	54	0	126
Musical	5,713	5,116	6,860	3,969
HS Vocal	1,362	1,185	802	1,745
Music Dept Cards	1,288	0	0	1,288
HS PE Club	190	40	0	230
Plays	1,884	1,970	2,122	1,732
Pop, Athletics	451	0	451	0
Pop, HS Student	813	0	813	0
Soda Club	222	0	0	222
Spanish Club	10	0	0	10
Speech Activities	0	3,748	3,748	0
Speech Club	29	144	97	76
HS Special Ed	312	480	266	526
HS Student Council	289	6,862	6,590	561
HS Vending	8,660	6,913	15,573	0
Volleyball Club	2,391	530	880	2,041
HS Prom Account	1,062	2,496	2,058	1,500
HS Music Madrigals	106	0	0	106
FCCLA Club - Fams & Cons Science	137	0	0	137
Industrial Tech Club	70	0	0	70
Vending Dairy Products	393	494	467	420
HS Color Guard	538	875	973	440
Athletic Tickets	777	0	777	0
Total	\$ 104,086	317,653	300,252	121,487

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET FOR CAPITAL PROJECT FUND
 JUNE 30, 2007

	Capital Projects Fund		
	Building Projects	Local Option Sales Tax	Total
ASSETS			
Cash and pooled investments	\$ 134,250	599,150	733,400
Receivables:			
Due from other governments	0	426,260	426,260
TOTAL ASSETS	\$ 134,250	1,025,410	1,159,660
LIABILITIES AND FUND BALANCES			
TOTAL LIABILITIES	\$ 0	0	0
Fund balances:			
Reserved for construction	134,250	0	134,250
Unreserved fund balance	0	1,025,410	1,025,410
Total fund balances	134,250	1,025,410	1,159,660
TOTAL LIABILITIES AND FUND BALANCES	\$ 134,250	1,025,410	1,159,660

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECT FUND
 YEAR ENDED JUNE 30, 2007

	Capital Project Fund		
	Building Projects	Local Option Sales Tax	Total
REVENUES:			
Local sources:			
Local option sales and service tax	\$ 0	941,163	941,163
Interest on investments	23,478	0	23,478
Other	107,787	0	107,787
TOTAL REVENUES	131,265	941,163	1,072,428
EXPENDITURES:			
Current:			
Other expenditures:			
Facilities acquisitions	1,065,986	0	1,065,986
TOTAL EXPENDITURES	1,065,986	0	1,065,986
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(934,721)	941,163	6,442
OTHER FINANCING USES:			
Transfer out to debt service	0	(675,355)	(675,355)
NET CHANGE IN FUND BALANCE	(934,721)	265,808	(668,913)
FUND BALANCES BEGINNING OF YEAR	1,068,971	759,602	1,828,573
FUND BALANCES END OF YEAR	\$ 134,250	1,025,410	1,159,660

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 JUNE 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 6,288	96,636	73,406	29,518
Due from other groups	35,463	500	35,463	500
Total assets	\$ 41,751	97,136	108,869	30,018
Liabilities				
Accounts payable	\$ 3,320	1,000	3,320	1,000
Due to other groups	38,431	96,136	105,549	29,018
Total liabilities	\$ 41,751	97,136	108,869	30,018

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,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 4,442,371	4,469,659	4,122,921	3,633,127
Tuition	139,472	152,363	132,301	126,783
Other	708,657	660,114	730,825	593,641
Intermediate sources	2,000	5,895	1,530	1,825
State sources	8,255,004	8,113,530	7,803,209	6,952,980
Federal sources	1,221,073	1,646,920	1,389,011	1,246,690
Total	<u>\$ 14,768,577</u>	<u>15,048,481</u>	<u>14,179,797</u>	<u>12,555,046</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 5,669,803	5,346,409	5,169,553	5,222,259
Special instruction	1,919,218	2,644,628	2,510,195	2,402,292
Other instruction	1,710,503	993,609	1,090,402	884,448
Support services:				
Student services	218,513	287,237	230,147	307,912
Instructional staff services	299,096	356,873	197,301	184,627
Administration services	1,890,429	1,871,832	2,022,185	1,540,421
Operation and maintenance of plant services	1,335,823	1,222,974	1,049,550	982,246
Transportation services	574,556	644,149	465,085	491,554
Central services	0	0	0	7,533
Other expenditures:				
Facilities acquisitions	1,260,095	8,222,543	687,194	75,135
Long-term debt:				
Principal	330,000	315,000	0	0
Interest	345,355	354,317	148,869	0
AEA flow-through	528,031	512,470	499,369	472,195
Total	<u>\$ 16,081,422</u>	<u>22,772,041</u>	<u>14,069,850</u>	<u>12,570,622</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
IMPACT AID GRANT	84.041	FY 07	\$ 611,608
DEPARTMENT OF THE INTERIOR:			
INDIAN EDUCATION - ASSISTANCE TO SCHOOLS	15.130	FY 07	55,562
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION (non-cash)	10.550	FY 07	33,097
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	66,784
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	269,544
			336,328
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	FY 07	236,037
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	1503-GC	36,308
			272,345
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES STATE GRANTS	84.186	FY 07	7,290
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 07	2,908
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 06	5,457
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	73,819
			79,276
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 07	11,067
READING FIRST STATE GRANT	84.357	FY 06	36,549
READING FIRST STATE GRANT	84.357	FY 07	28,763
			65,312

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 07	<u>90,076</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	<u>18,906</u>
TOTAL			<u>\$ 1,583,775</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 basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of South Tama County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Tama County Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects South Tama County Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of South Tama County Community School District's financial statements that is more than inconsequential will not be prevented or detected by South Tama County Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by South Tama County Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

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

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.

March 10, 2008

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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

To the Board of Education of
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, 2007. 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Tama County Community School District's internal control over compliance.

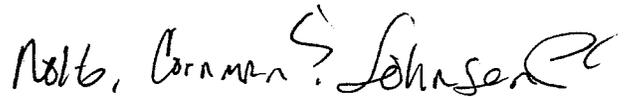
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a material weakness.

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

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.

March 10, 2008

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies 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 non-compliance which is material to the financial statements.
- (d) A significant deficiency 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 did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - Individual
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - 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 AND QUESTIONED COST
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 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 AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2007
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2007
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.041: Impact Aid Grant
Federal Award Year: 2007
U.S. Department of Education

III-A-07 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 AND QUESTIONED COST
 YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - During the year ended June 30, 2007, expenditures in the support services, non-instructional and other expenditures functions exceeded the amounts budgeted.

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

Response - In the future, we will amend the budget when necessary.

Conclusion - Response accepted.

IV-B-07 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 noted during our audit that a construction contract for dirt work with Prairie Construction was overpaid by \$333.

Recommendation - The District needs to contact Prairie Construction and request a refund for the overpayment.

Response - We contacted Prairie Construction and the correction was made before final payment of the contract.

Conclusion - Response accepted.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

However, we noted during our audit that reimbursements to employees for meal expenses had no detailed receipts attached for supporting documentation. According to District policy, employees that seek reimbursement for meals over \$3 must attach a detailed receipt to the claim form otherwise the expense becomes the employees'.

Recommendation - The District should review procedures in place to ensure that receipts for all reimbursable expenses are attached for supporting documentation,

Response - We will continue to review our procedures and detailed receipts will be kept for employees seeking meal reimbursements.

Conclusion - Response accepted.

IV-D-07 Business Transactions - Business transactions between the District and District officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tim Down, Maintenance Supervisor Spouse owns Ben Franklin	Various	\$1,400

In accordance with Attorney General Opinion dated July 2, 1990, the transaction with the employee does not appear to be a conflict of interest.

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We made adjustments in staff duties to ensure minutes are published in a timely manner.

Conclusion - Response accepted.

IV-G-07 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. Supplemental weighting, Line 12, was understated by 0.51.

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

Response - We contacted the Department of Education and the Department of Management and the necessary corrections were made.

Conclusion - Response accepted.

IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - We have contacted the banks the District does business with and images of both the front and back of all cancelled checks will be supplied.

Conclusion - Response accepted.