

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2008

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South Page Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Ron Peterman	President	2008
Brenda Swanson	Vice President	2007
Deb Wallin	Board Member	2008
Ellen Nothwehr	Board Member	2009
Junior Neihart	Board Member	2009
Board of Education (After September 2007 Election)		
Ellen Nothwehr	President	2009
Junior Neihart	Vice President	2009
Deb Wallin	Board Member	2008
Ron Peterman	Board Member	2008
Karl Kenagy	Board Member	2010
School Officials		
Joy Jones	Superintendent	2008
Vicki King	District Secretary	2008
Ahlers & Cooney, P.C.	Attorney	2008

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Certified Public Accountants
(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
South Page 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 Page Community School District, College Springs, Iowa as of and for the year ended June 30, 2008, 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 Page Community School District at June 30, 2008, 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.

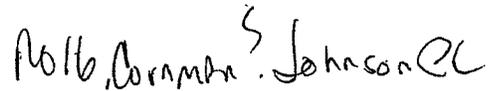
In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2009 on our consideration of South Page Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 35 through 36 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 Page 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 four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Page 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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,482,563 in fiscal 2007 to \$2,443,650 in fiscal 2008, while General Fund expenditures decreased from \$2,624,104 in fiscal 2007 to \$2,599,899 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$276,837 in fiscal 2007 to \$120,588 in fiscal 2008, a 56.44% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local and federal sources in fiscal 2008. The decrease in expenditures was due primarily to a decrease in the support services functions.

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 Page 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 Page 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 Page 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.

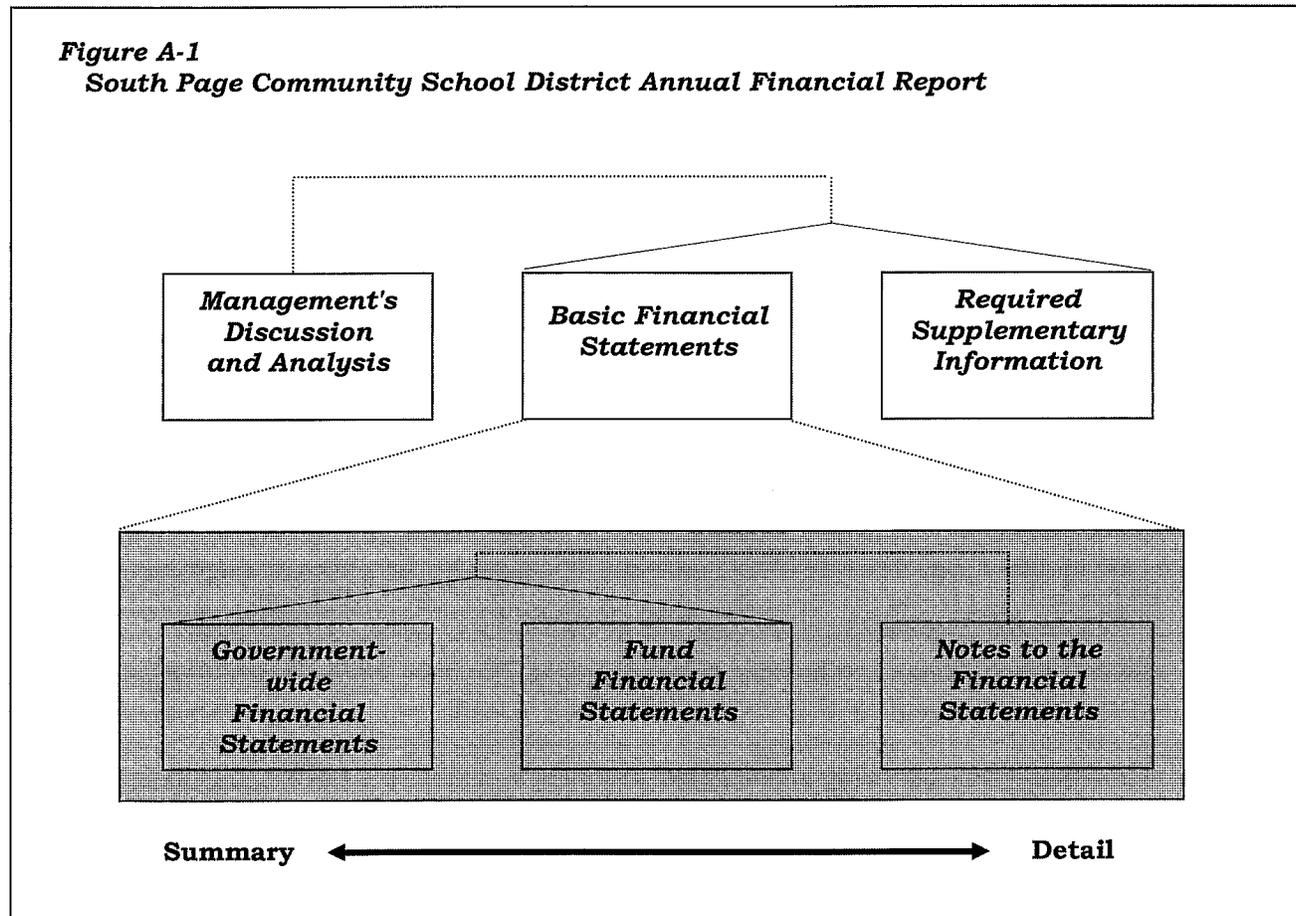


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
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 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. These funds include the Private-Purpose Trust.

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

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended 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 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, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 2,576,050	1,794,911	3,753	2,028	2,579,803	1,796,939	43.57%
Capital assets	1,482,808	1,531,724	7,972	8,816	1,490,780	1,540,540	-3.23%
Total assets	4,058,858	3,326,635	11,725	10,844	4,070,583	3,337,479	21.97%
Long-term obligations	125,000	160,000	0	0	125,000	160,000	-21.88%
Other liabilities	2,126,251	1,231,799	16,824	5,604	2,143,075	1,237,403	73.19%
Total liabilities	2,251,251	1,391,799	16,824	5,604	2,268,075	1,397,403	62.31%
Net assets:							
Invested in capital assets, net of related debt	1,357,808	1,371,724	7,972	8,816	1,365,780	1,380,540	-1.07%
Restricted	296,195	254,031	0	0	296,195	254,031	16.60%
Unrestricted	153,604	309,081	(13,071)	(3,576)	140,533	305,505	-54.00%
Total net assets	\$ 1,807,607	1,934,836	(5,099)	5,240	1,802,508	1,940,076	-7.09%

The District's combined net assets decreased by 7.09%, or \$137,568, from 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 invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent 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 \$42,164, or 16.60% over the prior year.

Unrestricted net assets – are 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 \$164,972, or 54.00%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 142,839	268,826	28,543	33,171	171,382	301,997	-43.25%
Operating grants and contributions and restricted interest	414,693	436,048	50,573	57,343	465,266	493,391	-5.70%
General revenues:							
Local tax	932,296	977,815	0	0	932,296	977,815	-4.66%
Local option sales and service tax	143,446	146,695	0	0	143,446	146,695	-2.21%
Unrestricted state grants	1,081,389	946,149	0	0	1,081,389	946,149	14.29%
Other	37,289	47,015	130	0	37,419	47,015	-20.41%
Transfers	0	(5,036)	0	4,592	0	(444)	100.00%
Total revenues & transfers	2,751,952	2,817,512	79,246	95,106	2,831,198	2,912,618	-2.80%
Program expenses:							
Governmental activities:							
Instructional	1,823,939	1,735,179	0	0	1,823,939	1,735,179	5.12%
Support services	840,086	904,285	0	0	840,086	904,285	-7.10%
Non-instructional programs	0	0	89,585	88,587	89,585	88,587	1.13%
Other expenses	215,156	232,217	0	0	215,156	232,217	-7.35%
Total expenses	2,879,181	2,871,681	89,585	88,587	2,968,766	2,960,268	0.29%
Change in net assets	(127,229)	(54,169)	(10,339)	6,519	(137,568)	(47,650)	-188.71%
Net assets beginning of year	1,934,836	1,989,005	5,240	(1,279)	1,940,076	1,987,726	-2.40%
Net assets end of year	\$ 1,807,607	1,934,836	(5,099)	5,240	1,802,508	1,940,076	-7.09%

In fiscal 2008, local tax and unrestricted state grants account for 73.17% of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.84% of the revenues from the business type activities.

The District's total revenues were \$2,831,198 of which \$2,751,952 was for governmental activities and \$79,246 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 2.80% in revenues and a 0.29% increase in expenses. The increase in expenses was related to the increase in the instructional function costs during the year.

Governmental Activities

Revenues for governmental activities were \$2,751,952 and expenses were \$2,879,181.

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		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 1,823,939	1,735,179	5.12%	1,365,514	1,129,141	20.93%
Support services	840,086	904,285	-7.10%	835,829	897,286	-6.85%
Other expenses	215,156	232,217	-7.35%	120,306	140,380	-14.30%
Totals	<u>\$ 2,879,181</u>	<u>2,871,681</u>	<u>0.26%</u>	<u>2,321,649</u>	<u>2,166,807</u>	<u>7.15%</u>

- The cost financed by users of the District's programs was \$142,839.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$414,693.
- The net cost of governmental activities was financed with \$932,296 in local tax, \$143,446 in local option sales and services tax, \$1,081,389 in unrestricted state grants, \$22,383 in interest income and other general revenue of \$14,906.

Business-Type Activities

Revenues of the District's business-type activities were \$79,246 and expenses were \$89,585. 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 Page 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 \$413,034, below last year's ending fund balances of a \$528,691. However, the primary reason for the decrease in combined fund balances in fiscal 2008 is due to the decrease in the General Fund.

Governmental Fund Highlights

- The District's decrease in the General Fund financial position is due to the increased expenditures in the instructional function.
- The Capital Projects Fund balance increased from \$131,599 in fiscal 2007 to \$150,107 in fiscal 2008.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from a balance of \$5,240 at June 30, 2007 to a deficit balance of \$5,099 at June 30, 2008, representing a decrease of 197.31%. For fiscal 2008, the District received less monies from charges for services, state and federal sources.

BUDGETARY HIGHLIGHTS

The District's revenues were \$170,251 less than budgeted revenues, a variance of 5.68%. The most significant variance resulted from the District receiving less in local and federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1,490,780, 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 decrease of 3.23% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$112,395.

The original cost of the District's capital assets was \$4,109,515. Governmental funds account for \$4,031,933 with the remainder of \$77,582 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$124,713 at June 30, 2008, compared to \$150,934 reported at June 30, 2007.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 52,000	52,000	0	0	52,000	52,000	0.00%
Buildings	1,120,481	1,124,356	0	0	1,120,481	1,124,356	-0.34%
Land improvements	194,126	213,250	0	0	194,126	213,250	-8.97%
Machinery and equipment	116,201	142,118	7,972	8,816	124,173	150,934	-17.73%
Total	\$ 1,482,808	1,531,724	7,972	8,816	1,490,780	1,540,540	-3.23%

Long-Term Debt

At June 30, 2008, the District had \$125,000 in revenue bonded indebtedness outstanding. This represents a decrease of 21.88% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Revenue bonds	\$ 125,000	160,000	-21.88%

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:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- October 2008 certified enrollment decreased by 12.9 students.
- The District will be working with the local mayors to discuss the possibilities of economic development for the area.
- The District is looking into alternative energy sources.

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 Vicki King, Board Secretary, South Page Community School District's District Office, Box 98, College Springs, Iowa, 51637.

BASIC FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 842,147	0	842,147
Other	445,681	0	445,681
Receivables:			
Property tax:			
Delinquent	23,089	0	23,089
Succeeding year	1,167,341	0	1,167,341
Income surtax	37,157	0	37,157
Accounts	3,733	0	3,733
Accrued interest - ISCAP(Note 5)	5,289	0	5,289
Due from other governments	51,613	0	51,613
Inventories	0	3,753	3,753
Capital assets, net of accumulated depreciation(Note 6)	1,482,808	7,972	1,490,780
Total Assets	4,058,858	11,725	4,070,583
Liabilities			
Excess of warrants issued over bank balance	0	15,697	15,697
Due to other funds	506	0	506
Accounts payable	101,248	0	101,248
Salaries and benefits payable	4,212	0	4,212
ISCAP warrants payable(Note 5)	837,000	0	837,000
ISCAP accrued interest payable(Note 5)	5,196	0	5,196
ISCAP unamortized premium	10,356	0	10,356
Accrued interest payable	392	0	392
Deferred revenue:			
Succeeding year property tax	1,167,341	0	1,167,341
Unearned revenue	0	1,127	1,127
Long-term liabilities(Note 7):			
Portion due within one year:			
Revenue bonds payable	40,000	0	40,000
Portion due after one year:			
Revenue bonds payable	85,000	0	85,000
Total Liabilities	2,251,251	16,824	2,268,075
Net Assets			
Invested in capital assets, net of related debt	1,357,808	7,972	1,365,780
Restricted for:			
Market factor	1,730	0	1,730
Talented and gifted	2,019	0	2,019
Debt service	56,250	0	56,250
Capital projects	150,107	0	150,107
Management levy	29,902	0	29,902
Physical plant and equipment levy	23,544	0	23,544
Other special revenue purposes	32,643	0	32,643
Unrestricted	153,604	(13,071)	140,533
Total Net Assets	\$ 1,807,607	(5,099)	1,802,508

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	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	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,185,202	60,157	301,366	(823,679)	0	(823,679)
Special instruction	390,752	0	14,220	(376,532)	0	(376,532)
Other instruction	247,985	82,682	0	(165,303)	0	(165,303)
	<u>1,823,939</u>	<u>142,839</u>	<u>315,586</u>	<u>(1,365,514)</u>	<u>0</u>	<u>(1,365,514)</u>
Support services:						
Student services	16,800	0	0	(16,800)	0	(16,800)
Instructional staff services	106,720	0	0	(106,720)	0	(106,720)
Administration services	306,779	0	0	(306,779)	0	(306,779)
Operation and maintenance of plant services	275,009	0	0	(275,009)	0	(275,009)
Transportation services	134,778	0	4,257	(130,521)	0	(130,521)
	<u>840,086</u>	<u>0</u>	<u>4,257</u>	<u>(835,829)</u>	<u>0</u>	<u>(835,829)</u>
Other expenditures:						
Facilities acquisitions	50,562	0	0	(50,562)	0	(50,562)
Long-term debt interest	5,567	0	0	(5,567)	0	(5,567)
AEA flowthrough	94,850	0	94,850	0	0	0
Depreciation(unallocated)*	64,177	0	0	(64,177)	0	(64,177)
	<u>215,156</u>	<u>0</u>	<u>94,850</u>	<u>(120,306)</u>	<u>0</u>	<u>(120,306)</u>
Total governmental activities	2,879,181	142,839	414,693	(2,321,649)	0	(2,321,649)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	89,585	28,543	50,573	0	(10,469)	(10,469)
Total business-type activities	<u>89,585</u>	<u>28,543</u>	<u>50,573</u>	<u>0</u>	<u>(10,469)</u>	<u>(10,469)</u>
Total	<u>\$ 2,968,766</u>	<u>171,382</u>	<u>465,266</u>	<u>(2,321,649)</u>	<u>(10,469)</u>	<u>(2,332,118)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 913,297	0	913,297
Capital outlay				18,999	0	18,999
Local option sales and services tax				143,446	0	143,446
Unrestricted state grants				1,081,389	0	1,081,389
Unrestricted investment earnings				22,383	130	22,513
Other				14,906	0	14,906
Total general revenues				<u>2,194,420</u>	<u>130</u>	<u>2,194,550</u>
Changes in net assets				(127,229)	(10,339)	(137,568)
Net assets beginning of year				<u>1,934,836</u>	<u>5,240</u>	<u>1,940,076</u>
Net assets end of year				<u>\$ 1,807,607</u>	<u>(5,099)</u>	<u>1,802,508</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP (Note 5)	\$ 842,147	0	0	842,147
Other	191,543	114,574	139,564	445,681
Receivables:				
Property tax:				
Delinquent	21,179	0	1,910	23,089
Succeeding year	1,065,330	0	102,011	1,167,341
Income surtax	37,157	0	0	37,157
Accounts	2,412	0	1,321	3,733
Accrued interest - ISCAP(Note 5)	5,289	0	0	5,289
Due from other governments	15,371	36,242	0	51,613
Total Assets	\$ 2,180,428	150,816	244,806	2,576,050
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 50	0	456	506
Accounts payable	100,539	709	0	101,248
Salaries and benefits payable	4,212	0	0	4,212
ISCAP warrants payable(Note 5)	837,000	0	0	837,000
ISCAP accrued interest payable(Note 5)	5,196	0	0	5,196
ISCAP unamortized premium	10,356	0	0	10,356
Deferred revenue:				
Succeeding year property tax	1,065,330	0	102,011	1,167,341
Income surtax	37,157	0	0	37,157
Total liabilities	2,059,840	709	102,467	2,163,016
Fund balances:				
Reserved for:				
Talented and gifted	1,730	0	0	1,730
Market factor	2,019	0	0	2,019
Debt service	0	0	56,250	56,250
Unreserved	116,839	150,107	86,089	354,765
Total fund balances	120,588	150,107	142,339	413,034
Total Liabilities and Fund Balances	\$ 2,180,428	150,816	244,806	2,576,050

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 413,034
 <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 the governmental funds.	1,482,808
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	37,157
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.	(392)
Long-term liabilities, including revenue bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(125,000)</u>
Net assets of governmental activities (page 13)	<u><u>\$ 1,807,607</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 856,244	143,446	73,801	1,073,491
Tuition	56,415	0	0	56,415
Other	35,697	3,310	85,494	124,501
State sources	1,348,724	0	0	1,348,724
Federal sources	146,570	0	0	146,570
Total revenues	<u>2,443,650</u>	<u>146,756</u>	<u>159,295</u>	<u>2,749,701</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,201,674	0	0	1,201,674
Special instruction	390,752	0	0	390,752
Other instruction	167,273	0	80,712	247,985
	<u>1,759,699</u>	<u>0</u>	<u>80,712</u>	<u>1,840,411</u>
Support services:				
Student services	16,800	0	0	16,800
Instructional staff services	89,522	0	0	89,522
Administration services	306,779	0	0	306,779
Operation and maintenance of plant services	218,278	0	52,097	270,375
Transportation services	113,971	0	250	114,221
	<u>745,350</u>	<u>0</u>	<u>52,347</u>	<u>797,697</u>
Other expenditures:				
Facilities acquisitions	0	86,430	5,310	91,740
Long-term debt:				
Principal	0	0	35,000	35,000
Interest	0	0	5,660	5,660
AEA flowthrough	94,850	0	0	94,850
	<u>94,850</u>	<u>86,430</u>	<u>45,970</u>	<u>227,250</u>
Total expenditures	<u>2,599,899</u>	<u>86,430</u>	<u>179,029</u>	<u>2,865,358</u>
Excess(deficiency) of revenues over(under) expenditures	(156,249)	60,326	(19,734)	(115,657)
Other financing sources(uses):				
Transfers in	0	0	41,818	41,818
Transfers out	0	(41,818)	0	(41,818)
Total other financing sources(uses)	<u>0</u>	<u>(41,818)</u>	<u>41,818</u>	<u>0</u>
Net change in fund balances	(156,249)	18,508	22,084	(115,657)
Fund balance beginning of year	<u>276,837</u>	<u>131,599</u>	<u>120,255</u>	<u>528,691</u>
Fund balance end of year	<u>\$ 120,588</u>	<u>150,107</u>	<u>142,339</u>	<u>413,034</u>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds(page 17) \$ (115,657)

*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	\$ 62,635	
Depreciation expense	<u>(111,551)</u>	(48,916)

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. 35,000

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. 93

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 2,251

Changes in net assets of governmental activities(page 14) \$ (127,229)

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	School Nutrition
Assets	
Inventories	\$ 3,753
Capital assets, net of accumulated depreciation(Note 6)	7,972
Total Assets	11,725
 Liabilities	
Excess of warrants issued over bank balance	15,697
Unearned revenue	1,127
Total Liabilities	16,824
 Net Assets	
Invested in capital assets	7,972
Unrestricted	(13,071)
Total Net Assets	\$ (5,099)

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2008

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 28,543
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	38,266
Benefits	4,992
Services	128
Supplies	45,150
Other	205
Depreciation	844
TOTAL OPERATING EXPENSES	89,585
OPERATING LOSS	(61,042)
NON-OPERATING REVENUES:	
State sources	1,048
Federal sources	49,525
Interest income	130
TOTAL NON-OPERATING REVENUES	50,703
Change in net assets	(10,339)
Net assets beginning of year	5,240
Net assets end of year	\$ (5,099)

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 28,727
Cash received from miscellaneous	166
Cash payments to employees for services	(43,258)
Cash payments to suppliers for goods or services	(42,700)
Net cash used in operating activities	(57,065)
Cash flows from non-capital financing activities:	
State grants received	1,048
Federal grants received	45,017
Net cash provided by non-capital financing activities	46,065
Cash flows from investing activities:	
Interest income	130
Net decrease in cash and cash equivalents	(10,870)
Cash and cash equivalents at beginning of year	(4,827)
Cash and cash equivalents at end of year	\$ (15,697)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (61,042)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	4,508
Depreciation	844
Increase in inventories	(1,725)
Increase in unearned revenue	350
Net cash used in operating activities	\$ (57,065)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ (15,697)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$4,508.

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 2,028
Interfund receivable	506
Total Assets	2,534
 Liabilities	 0
 Net Assets	
Restricted for scholarships	2,000
Unrestricted	534
Total Net Assets	\$ 2,534

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 76
Contributions	1,350
Total additions	1,426
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	1,417
Change in net assets	9
Net assets beginning of year	2,525
Net assets end of year	\$ 2,534

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

The South Page 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 city of College Springs, Iowa, and the predominate agricultural territory in Page County. 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 Page 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 Page 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 Page County 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 utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

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 funds include the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 financial statements:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008 balances of interfund accounts receivable or payable have been recorded.

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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets 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	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for 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 are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition 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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 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, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 559,880

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

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

(3) Interfund Receivables/Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Private Purpose Trust	General	\$ 50
Private Purpose Trust	Special Revenue: Student Activity	456
Total		<u>\$ 506</u>

The General Fund owes the Private Purpose Trust Fund for expenditures improperly recorded in the prior year.

The Private Purpose Trust Fund owes the Special Revenue, Student Activity Fund for expenditures improperly recorded the prior year.

(4) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 41,818</u>

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

The Capital Projects Fund transferred funds to the Debt Service Fund for payment of principal and interest on the District's revenue bonds.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is

based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments		Accrued	
			Investments	Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/08	1/23/09	\$ 340,088	5,099	339,000	5,050
2008-09A	6/26/08	6/25/09	502,059	190	498,000	146
Total			<u>\$ 842,147</u>	<u>5,289</u>	<u>837,000</u>	<u>5,196</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP borrowing activity in the General Fund for the year ended June 30, 2008.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 77,582	0	0	77,582
Less accumulated depreciation	68,766	844	0	69,610
Business-type activities capital assets, net	<u>\$ 8,816</u>	<u>844</u>	<u>0</u>	<u>7,972</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,000	0	0	52,000
Total capital assets not being depreciated	52,000	0	0	52,000
Capital assets being depreciated:				
Buildings	2,450,670	41,178	0	2,491,848
Land improvements	382,477	0	0	382,477
Machinery and equipment	1,192,018	21,457	107,867	1,105,608
Total capital assets being depreciated	4,025,165	62,635	107,867	3,979,933
Less accumulated depreciation for:				
Buildings	1,326,314	45,053	0	1,371,367
Land improvements	169,227	19,124	0	188,351
Machinery and equipment	1,049,900	47,374	107,867	989,407
Total accumulated depreciation	2,545,441	111,551	107,867	2,549,125
Total capital assets being depreciated, net	1,479,724	(48,916)	0	1,430,808
Governmental activities capital assets, net	\$ 1,531,724	(48,916)	0	1,482,808

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,985
Support services:		
Instructional support		17,198
Operation and maintenance of plant		4,634
Transportation		20,557
Unallocated depreciation		64,177
Total governmental activities depreciation expense		\$ 111,551
Business-type activities:		
Food service operations		\$ 844

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 160,000	0	35,000	125,000	40,000

Revenue Bonds Payable

Details of the District's June 30, 2008 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 1, 2003			
	Interest Rates	Principal	Interest	Total
2009	3.50	% \$ 40,000	4,000	44,000
2010	3.75	40,000	2,550	42,550
2011	4.00	45,000	900	45,900
Total		\$ 125,000	7,450	132,450

The District has pledged future local option sales and services tax revenues to repay the \$290,000, issued on February 1, 2003. The local option sales and services tax revenue bonds were issued for the purpose of financing capital facility construction improvements and are payable through 2011. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the bonds is \$132,450. For the current year, the principal and interest paid on the bonds was \$40,660 and the local option sales and services tax revenues were \$143,446.

(8) 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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007, and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$85,513, \$79,974, and \$77,734, respectively, equal to the required contributions for each year.

(9) Risk Management

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

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2008 was \$207,044.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$94,850 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Financial Condition

The Proprietary, Nutrition Fund had deficit net assets of \$13,071 as of June 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual		Actual		Variance
Revenues:						
Local sources	\$ 1,254,407	28,673	1,283,080	1,428,463	1,428,463	(145,383)
Intermidaiate sources	0	0	0	4,500	4,500	(4,500)
State sources	1,348,724	1,048	1,349,772	1,377,235	1,377,235	(27,463)
Federal sources	146,570	49,525	196,095	189,000	189,000	7,095
Total revenues	<u>2,749,701</u>	<u>79,246</u>	<u>2,828,947</u>	<u>2,999,198</u>	<u>2,999,198</u>	<u>(170,251)</u>
Expenditures:						
Instruction	1,840,411	0	1,840,411	2,287,679	2,287,679	447,268
Support services	797,697	0	797,697	891,413	891,413	93,716
Non-instructional programs	0	89,585	89,585	112,851	112,851	23,266
Other expenditures	227,250	0	227,250	405,643	405,643	178,393
Total expenditures	<u>2,865,358</u>	<u>89,585</u>	<u>2,954,943</u>	<u>3,697,586</u>	<u>3,697,586</u>	<u>742,643</u>
Excess(deficiency) of revenues over(under) expenditures	(115,657)	(10,339)	(125,996)	(698,388)	(698,388)	572,392
Other financing sources, net	0	0	0	3,500	3,500	(3,500)
Excess(deficiency) of revenues over(under) expenditures	(115,657)	(10,339)	(125,996)	(694,888)	(694,888)	568,892
Balance beginning of year	528,691	5,240	533,931	694,888	694,888	(160,957)
Balance end of year	<u>\$ 413,034</u>	<u>(5,099)</u>	<u>407,935</u>	<u>0</u>	<u>0</u>	<u>407,935</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

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.

OTHER SUPPLEMENTARY INFORMATION

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
Assets						
Cash and pooled investments	\$ 28,484	31,778	23,052	83,314	56,250	139,564
Receivables:						
Property tax:						
Current year delinquent	1,418	0	492	1,910	0	1,910
Succeeding year	80,000	0	22,011	102,011	0	102,011
Accounts	0	1,321	0	1,321	0	1,321
Total Assets	\$ 109,902	33,099	45,555	188,556	56,250	244,806
Liabilities and Fund Balances						
Liabilities:						
Interfund payable	\$ 0	456	0	456	0	456
Deferred revenue:						
Succeeding year property tax	80,000	0	22,011	102,011	0	102,011
Total liabilities	80,000	456	22,011	102,467	0	102,467
Fund balances:						
Reserved for debt service	0	0	0	0	56,250	56,250
Unreserved	29,902	32,643	23,544	86,089	0	86,089
Total fund balances	29,902	32,643	23,544	86,089	56,250	142,339
Liabilities and Fund Balances	\$ 109,902	33,099	45,555	188,556	56,250	244,806

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 54,802	0	18,999	73,801	0	73,801
Other	164	83,572	354	84,090	1,404	85,494
Total revenues	54,966	83,572	19,353	157,891	1,404	159,295
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	80,712	0	80,712	0	80,712
Support services:						
Operation and maintenance						
of plant services	52,097	0	0	52,097	0	52,097
Student transportation	250	0	0	250	0	250
Other expenditures:						
Facilities acquisitions	0	0	5,310	5,310	0	5,310
Long-term debt:						
Principal	0	0	0	0	35,000	35,000
Interest	0	0	0	0	5,660	5,660
Total expenditures	52,347	80,712	5,310	138,369	40,660	179,029
Excess (Deficiency) of revenues over (under) expenditures	2,619	2,860	14,043	19,522	(39,256)	(19,734)
Other financing sources:						
Transfer in	0	0	0	0	41,818	41,818
Net change in fund balances	2,619	2,860	14,043	19,522	2,562	22,084
Fund balance beginning of year	27,283	29,783	9,501	66,567	53,688	120,255
Fund balance end of year	\$ 29,902	32,643	23,544	86,089	56,250	142,339

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,005	479	274	2,210
Vocal	929	12	288	653
Instrumental	(565)	9	0	(556)
Football	0	39	17	22
Athletics	52	20,463	17,402	3,113
Weightlifting Club	828	1,183	429	1,582
Girls Softball Club	318	0	0	318
Elementary Carnival	66	63	0	129
Class of 2007	56	0	74	(18)
Class of 2008	4,557	589	4,341	805
Class of 2009	597	10,062	6,538	4,121
Class of 2010	406	373	32	747
Class of 2011	65	131	0	196
Class of 2012	70	189	0	259
Class of 2013	70	148	46	172
Yearbook	(2,620)	5,405	4,740	(1,955)
Corner Conference	700	616	400	916
National Honor Society	3,657	4,265	5,138	2,784
Concession Stand	0	9,211	9,142	69
Cheerleaders	1,375	2,634	3,053	956
Drill Team	10	0	0	10
Student Council	510	819	1,424	(95)
FCCLA	185	0	0	185
BPA	0	1,054	96	958
FFA	2,492	13,835	10,810	5,517
MS Student Council	431	1,512	1,098	845
Spanish Club	323	6	0	329
Trips and Activities	775	1,319	1,944	150
Library	1,952	2,552	2,871	1,633
Washington DC Trip Fund	0	4,675	4,675	0
Booster Club	9,627	1,804	5,380	6,051
Gate Change	375	125	500	0
Activity interest	632	0	0	632
Pop Machine	(95)	0	0	(95)
Total	\$ 29,783	83,572	80,712	32,643

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

PRESTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund				
	Corner Conference	Student Council	Warren Scholarship	Booster Club Scholarship	Total
Additions:					
Local sources:					
Interest	\$ 0	0	76	0	76
Contributions	400	450	0	500	1,350
	400	450	76	500	1,426
Deductions:					
Instruction:					
Regular instruction:					
Scholarships awarded	400	450	67	500	1,417
Changes in net assets	0	0	9	0	9
Net assets beginning of year	0	0	2,525	0	2,525
Net assets end of year	\$ 0	0	2,534	0	2,534

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,073,491	1,122,128	1,053,799	1,167,875	1,159,197
Tuition	56,415	66,354	65,691	65,477	51,912
Other	124,501	164,487	171,058	139,346	166,910
Intermediate sources	0	85,000	3,797	0	0
State sources	1,348,724	1,198,545	1,191,256	1,253,081	1,302,959
Federal sources	146,570	183,652	137,597	129,141	489,953
Total	<u>\$ 2,749,701</u>	<u>2,820,166</u>	<u>2,623,198</u>	<u>2,754,920</u>	<u>3,170,931</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 1,201,674	1,067,806	1,092,910	1,047,608	1,015,036
Special instruction	390,752	475,750	358,508	319,517	325,089
Other instruction	247,985	190,477	322,403	330,026	282,762
Support services:					
Student services	16,800	7,716	3,615	4,178	21,669
Instructional staff services	89,522	136,776	69,140	52,201	21,005
Administration services	306,779	410,434	334,274	318,601	348,487
Operation and maintenance of plant services	270,375	267,555	244,677	257,790	213,837
Transportation services	114,221	138,947	111,292	156,367	84,470
Other expenditures:					
Facilities acquisitions	91,740	76,661	165,545	161,259	534,691
Long-term debt:					
Principal	35,000	35,000	35,000	30,000	30,000
Interest	5,660	6,719	7,579	9,393	10,598
AEA flow-through	94,850	91,837	90,274	92,612	94,165
Total	<u>\$ 2,865,358</u>	<u>2,905,678</u>	<u>2,835,217</u>	<u>2,779,552</u>	<u>2,981,809</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
South Page 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 Page Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2009. 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 Page 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 Page Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Page 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 Page 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 Page Community School District's financial statements that is more than inconsequential will not be prevented or detected by South Page Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings 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 Page 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 I-A-08 is a material weakness.

Compliance and Other Matters

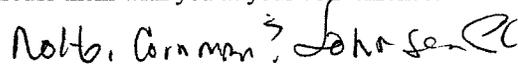
As part of obtaining reasonable assurance about whether South Page Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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 Page 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 Page 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 Page Community School District and other parties to whom South Page 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 Page 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 24, 2009

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement them as soon as possible.

Conclusion - Response accepted.

I-B-08 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District records required numerous end-of-year adjustments.

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

Response - We will look into sending staff to year end training.

Conclusion - Response accepted.

I-C-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation of the Student Activity Fund that have been outstanding for over a year.

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

Response - The District will determine if the outstanding checks need to be voided, reissued or submitted as unclaimed property and handle them accordingly.

Conclusion - Response accepted.

I-D-08 Student Activity Fund - During our audit issues arose about the properness of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8).

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. The interest earned each year should be allocated out at on an annual basis to the individual activity accounts. More specific findings are as follows:

There is a Class of 2007 account in the Student Activity Fund. Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as start up funds for the next incoming class or transferred to another student activity fund account.

The District writes various checks throughout the year for meal money for change boxes for start up cash at the gate for District events. It was noted that checks were being written to "Cash" instead of the custodian/sponsor for these events. Checks made out to "Cash" are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

The Student Activity Fund also includes a library and a book fair account. These accounts appear to be more instructional in nature. The District should review the appropriateness of these accounts within the Student Activity Fund. The District should transfer the remaining account balances to the General Fund if it does not meet Student Activity Fund guidelines.

The District receives money for use of facilities when hosting district and regional events. Currently the District's practice is to receipt rents for hosting district and regional events into the Student Activity Fund. The District also maintains a Towel Rent account within the Student Activity Fund. Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage and towel usage into the General Fund.

Response - The District will review the accounts in the Student Activity Fund and comply with auditor recommendation. Rent received from hosting district and regional events will be placed in the General Fund.

Conclusion - Response accepted.

I-E-08 Grants - We noted during our audit, that when expenditures for specific projects were posted, expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We will work toward properly posting these grant accounts.

Conclusion - Response accepted.

I-F-08 Gate Admissions - It was noted that the District utilizes pre-numbered tickets for event admissions and a reconciliation is performed after the event. However, through discussion with personnel, it was discovered that tickets are torn off the roll after the event so that the number of tickets sold will match the money received. In addition the reconciliation is only performed by one person after the event. This procedure significantly impacts the intended controls of using the pre-numbered tickets.

Recommendation - The internal control of the District utilizing pre-numbered tickets is deteriorated by tearing off the number needed to reconcile to the cash collected. The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.

- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will review its policies and procedures in regard to reconciliation of cash collected at sporting events and bring them up to conformity using the guidelines of minimal requirements of this audit review.

Conclusion - Response accepted.

- I-G-08 Insurance Dividend - We noted during the audit that the District recorded a property insurance dividend of \$6,896.86 into the General Fund.

Recommendation - The District paid for property insurance from the Special Revenue, Management Levy Fund. Under the matching principle of accounting, it would be logical to place the dividend from property insurance into the same fund that paid the property insurance premiums. The District should make a corrective transfer from the General Fund to the Management Levy Fund for \$6,896.86.

Response - Steps will be taken to correct the transfer from the General Fund to the Management Fund for the property insurance.

Conclusion - Response accepted.

- I-H-08 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price the commodity inventory according to Department of Education guidelines.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - The Food Service director has been advised of the proper way to calculate inventory values at year end according to Department of Education guidelines.

Conclusion - Response accepted.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008 did not exceed the certified amounts in the functional areas.
- II-B-08 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.
- II-C-08 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.

During our audit, we noted that District employees were seeking reimbursement for meal expenses charged on the their personal credit cards; however detailed documentation of the purchases were not being submitted to Central Office as required by District Board Policy 401.7.

Recommendation - District Board Policy 401.7 states that employees must submit a detailed receipt in addition to the credit card receipt showing the date, purpose and nature of the expense for each claim item. Failure to turn in detailed receipts to the District makes the expense the employee's expense and not the District's. The District should review Board Policy 401.7 and communicate to employees the ramifications to them if the policy is not followed.

Response - We will require a detailed receipt in addition to the credit card receipt when reimbursing employee expenses.

Conclusion - Response accepted.

- II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Deb Wallin, Board Member Owns Wallin's Heating and Cooling	Services	\$556
Karl Kenagy, Board Member Owns Karl's Automotive Service	Services	\$8,476

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

In accordance with the Chapter 279.7A of the Code of Iowa, the above transaction with Karl Kenagy does appears to represent a conflict of interest.

Recommendation - Chapter 279.7A of the Code of Iowa states that the District should limit the transactions with Board Members to no more than \$2,500 unless the services are per accepted bid from the District's Board of Directors. The District should consult legal counsel on this matter with Karl Kenagy.

Response - We will consult legal counsel.

Conclusion - Response accepted.

- II-E-08 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.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 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.
- II-I-08 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.
- II-J-08 Financial Condition - We noted during our audit that the Student Activity Fund included five accounts with negative balances in the amount of \$2,719. We also noted that the Proprietary Fund, School Nutrition Fund had deficit unrestricted net assets of \$13,071 at June 30, 2008.

Recommendation - The District should review the policies and procedures and find alternative methods of eliminating the deficits.

Response - The District is working toward eliminating these deficits.

Conclusion - Response accepted.

- II-K-08 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

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

Response - The District will have the Board President sign official contracts.

Conclusion - Response accepted.