

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 19
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 20
Statement of Cash Flows	I 21
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 22
Statement of Changes in Fiduciary Net Assets	K 23
Notes to Financial Statements	24-34
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	35
Notes to Required Supplementary Information - Budgetary Reporting	36
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 38
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 39
Combining Statement of Net Assets - Other Enterprise Funds	4 40
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Other Enterprise Funds	5 41
Combining Statement of Cash Flows - Other Enterprise Funds	6 42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7 43
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 <u>Government Auditing Standards</u>	44-45
Schedule of Findings	46-51

North Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Dave Stuart	President	2009
Gretchen Pargeon	Vice President	2009
Richard Arp	Board Member	2008
John Hayek	Board Member	2008
Judy Robb	Board Member	2009
Diane Panfil	Board Member	2010
Robert Young	Board Member	2010

**Board of Education  
(After September 2008 Election)**

Dave Stuart	President	2009
Gretchen Pargeon	Vice President	2009
Richard Arp	Board Member	2011
John Hayek	Board Member	2011
Judy Robb	Board Member	2009
Diane Panfil	Board Member	2009 *
Robert Young	Board Member	2011 *

**School Officials**

Gary Janssen	Superintendent	2009
Terrill Karr	District Secretary/	2009
Roan, Powell & Reinders	Attorney	2009

\* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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

**Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District, Traer Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements 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.

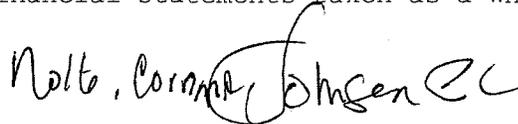
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2009 on our consideration of North Tama County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary 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 North Tama County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, 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.

December 30, 2009

---

---

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

---

---

North Tama County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,839,580 in fiscal 2008 to \$5,106,226 in fiscal 2009, while General Fund expenditures also increased from \$4,688,408 in fiscal 2008 to \$4,931,020 in fiscal 2009. This resulted in an increase in the District's fund balance from \$588,206 in fiscal 2008 to \$763,412 in fiscal 2009, which was a 29.79% increase from the prior year.
- The largest factor in the increased revenue was the increase from local tax and state sources in fiscal 2009. The largest increase in expenditures was in the instructional functional area.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased as compared to fiscal 2008. At June 30, 2008 the District's solvency ratio was 11.01% as compared to 13.23% at June 30, 2009. The State School Budget Review Committee recommends a solvency ratio between 5% - 10%.

### **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 North Tama County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Tama County Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which North Tama County Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to 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 Special Revenue Funds.

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

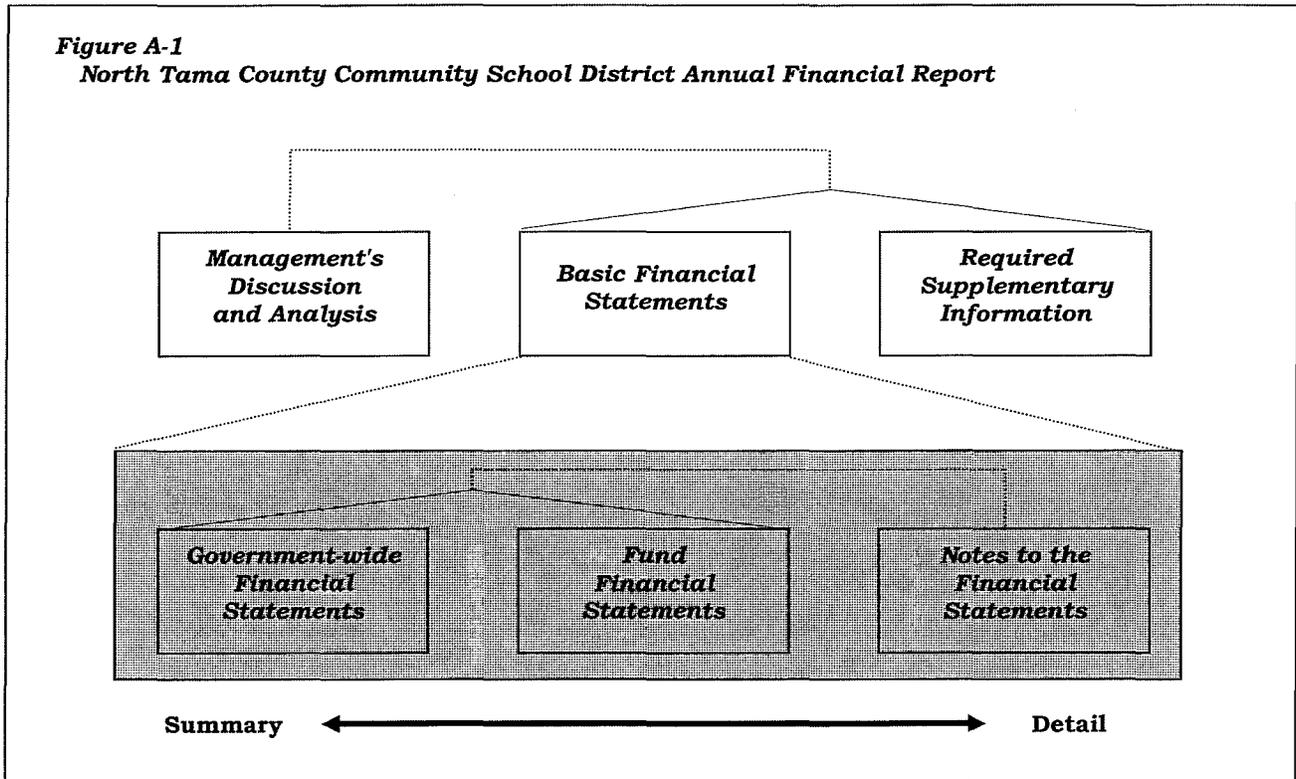


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

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

---

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide 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, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for 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 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 two enterprise funds, the School Nutrition Fund and other Enterprise Funds, which includes the Book Fair, JET and NT & S funds.
- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that 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 proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 7,734,947	3,355,760	\$ 52,544	33,411	\$ 7,787,491	3,389,171	129.78%
Capital assets	2,327,005	1,774,284	27,031	28,588	2,354,036	1,802,872	30.57%
Total assets	10,061,952	5,130,044	79,575	61,999	10,141,527	5,192,043	95.33%
Long-term liabilities	3,500,000	0	0	0	3,500,000	0	100.00%
Other liabilities	3,001,886	1,930,823	757	1,001	3,002,643	1,931,824	55.43%
Total liabilities	6,501,886	1,930,823	757	1,001	6,502,643	1,931,824	236.61%
Net assets:							
Invested in capital assets	1,785,908	1,774,284	27,031	28,588	1,812,939	1,802,872	0.56%
Restricted	922,858	712,209	0	0	922,858	712,209	29.58%
Unrestricted	851,300	712,728	51,787	32,410	903,087	745,138	21.20%
Total net assets	\$ 3,560,066	3,199,221	\$ 78,818	60,998	\$ 3,638,884	3,260,219	11.61%

The District's combined net assets increased by 11.61% or \$378,665 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

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 approximately 29.58% or \$210,649 over the prior year. The main reason for the increase in restricted net assets was the fund balance in the Debt Service Fund created by the issuance of revenue bonds during the year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately 21.20% or \$157,949 from the prior year. The primary reason for the increase in unrestricted net assets was the increase in the fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 511,106	504,424	\$ 181,486	151,665	692,592	656,089	5.56%
Operating grants and contributions and restricted interest	965,459	630,163	90,420	85,948	1,055,879	716,111	47.45%
Capital grants and contributions and restricted interest	24,615	22,741	0	0	24,615	22,741	8.24%
General revenues:							
Property tax	1,855,856	1,790,326	0	0	1,855,856	1,790,326	3.66%
Income surtax	266,751	209,758	0	0	266,751	209,758	27.17%
Statewide sales and service tax	208,083	190,533	0	0	208,083	190,533	9.21%
Unrestricted state grants	1,971,587	2,121,281	0	0	1,971,587	2,121,281	-7.06%
Other revenue	50,309	38,879	226	277	50,535	39,156	29.06%
Transfers	(3,033)	(1,276)	3,033	1,101	0	(175)	-100.00%
Total revenues and transfers	<u>5,850,733</u>	<u>5,506,829</u>	<u>275,165</u>	<u>238,991</u>	<u>6,125,898</u>	<u>5,745,820</u>	<u>6.61%</u>
Program expenses:							
Governmental activities:							
Instructional	3,552,361	3,230,869	0	0	3,552,361	3,230,869	9.95%
Support services	1,546,471	1,576,465	13,591	12,709	1,560,062	1,589,174	-1.83%
Non-instructional programs	0	0	243,754	235,648	243,754	235,648	3.44%
Other expenses	391,056	293,670	0	0	391,056	293,670	33.16%
Total expenses	<u>5,489,888</u>	<u>5,101,004</u>	<u>257,345</u>	<u>248,357</u>	<u>5,747,233</u>	<u>5,349,361</u>	<u>7.44%</u>
Change in net assets	360,845	405,825	17,820	(9,366)	378,665	396,459	-4.49%
Net assets beginning of year	<u>3,199,221</u>	<u>2,793,396</u>	<u>60,998</u>	<u>70,364</u>	<u>3,260,219</u>	<u>2,863,760</u>	<u>13.84%</u>
Net assets end of year	<u>\$ 3,560,066</u>	<u>3,199,221</u>	<u>\$ 78,818</u>	<u>60,998</u>	<u>3,638,884</u>	<u>3,260,219</u>	<u>11.61%</u>

In fiscal 2009, property tax, income surtax and unrestricted state grants accounted for 69.98% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.82% of the revenue from business type activities.

The District's total revenues were approximately \$6.13 million of which \$5.86 million was for governmental activities and slightly more than \$0.27 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 6.61% in revenues and a 7.44% increase in expenses. Property tax increased approximately \$65,530 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

**Governmental Activities**

Revenues for governmental activities were \$5,850,733 and expenses were \$5,489,888 for the year ended June 30, 2009. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses for the year ended June 30, 2009 compared to the year ended June 30, 2008. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 3,552,361	3,230,869	9.95%	2,375,001	2,323,039	2.24%
Support services	1,546,471	1,576,465	-1.90%	1,519,795	1,535,087	-1.00%
Other expenses	391,056	293,670	33.16%	93,912	85,550	9.77%
Totals	<u>\$ 5,489,888</u>	<u>5,101,004</u>	<u>7.62%</u>	<u>3,988,708</u>	<u>3,943,676</u>	<u>1.14%</u>

- The cost financed by users of the District's programs was \$511,106.
- The federal and state government subsidized certain programs with operating and capital grants and contributions totaling \$990,074.
- The net cost portion of governmental activities was financed with \$1,855,856 in property tax, \$266,751 in income surtax, \$208,083 in statewide sales and service tax and \$1,971,587 in unrestricted state grants.

**Business type Activities**

The District's business type activities are the School Nutrition Fund, and other Enterprise Funds. Revenues of the District's business type activities totaled \$275,165 in 2009, which is an increase of 15.14% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 3.62% to \$257,345 for business type activities in 2009.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, the North Tama County Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,557,326; an increase of \$3,312,397, above last year's ending fund balances of \$1,244,929.

---

However, the primary reason for the increase in combined fund balances at the end of fiscal 2009 is due to approximately \$3.5 million of revenue bonds that were issued to help fund the construction of the addition to the high school.

### **Governmental Fund Highlights**

- The District's increase in the General Fund financial position is the result of many factors. The General Fund balance increased from \$588,206 in fiscal 2008 to \$763,412 in fiscal 2009. The District increased its General Fund revenues compared to the prior year.
- The Capital Projects Fund balance increased from \$432,926 in fiscal 2008 to \$3,287,175 in fiscal 2009. This was primarily due to the issuance of \$3,500,000 in revenue bonds to fund the addition being built onto the high school.

### **Proprietary Fund Highlights**

- School Nutrition Fund ending cash balance increased \$10,728 from previous year.
- The School Nutrition Fund balance increased from \$62,380 in fiscal 2008 to \$73,590 in fiscal 2009.
- The Other Enterprise Funds balance increased from a deficit fund balance of \$1,382 in fiscal 2008 to a positive fund balance of \$5,228 in fiscal 2009.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$221,363 less than budgeted receipts. Although total revenues were less than anticipated, the most significant variance resulted from the District receiving more in 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, 2009, the District had invested \$2,354,036, 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) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$137,089.

The original cost of the District's capital assets was \$5,402,012. Governmental funds account for \$5,323,517, with the remainder of \$78,495 accounted for in the Proprietary School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$541,097 at June 30, 2009, compared to \$0 reported at June 30, 2008. This increase resulted from costs associated with the addition being built on to the high school.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 116,414	116,414	\$ 0	0	\$ 116,414	116,414	0.00%
Construction in progress	541,097	0	0	0	541,097	0	100.00%
Buildings	1,366,029	1,325,166	0	0	1,366,029	1,325,166	3.08%
Improvements other than buildings	197,503	182,904	0	0	197,503	182,904	7.98%
Machinery and equipment	105,962	149,800	27,031	28,588	132,993	178,388	-25.45%
Total	<u>\$ 2,327,005</u>	<u>1,774,284</u>	<u>\$ 27,031</u>	<u>28,588</u>	<u>\$ 2,354,036</u>	<u>1,802,872</u>	<u>30.57%</u>

### Long-Term Debt

At June 30, 2009, the District had \$3,500,000 in total long-term debt outstanding. This represents a 100% increase from the previous year. (See figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
Revenue bonds	<u>\$ 3,500,000</u>	<u>0</u>	<u>100.0%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- Maintaining enrollment will be extremely important for the District in their efforts to remain as a viable K-12 school district.
- Efforts to contain costs – especially in the area of health insurance – must be continued and expanded.
- Over the next two years, the \$3.5 million construction project will make Capital Projects and Physical Plant and Equipment Levy funds very limited for other miscellaneous District projects.

## 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 Terrill Karr, Business Manager, North Tama County Community School District, 605 Walnut Street, Traer, Iowa, 50675.

BASIC FINANCIAL STATEMENTS

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	\$ 686,891	0	686,891
Other	4,472,503	39,458	4,511,961
Receivables:			
Property tax:			
Delinquent	29,965	0	29,965
Succeeding year	2,022,521	0	2,022,521
Income surtax	213,420	0	213,420
Accounts	13,035	1,827	14,862
Accrued ISCAP interest	2,626	0	2,626
Due from other governments	293,986	0	293,986
Inventories	0	11,259	11,259
Capital assets, net of accumulated depreciation	2,327,005	27,031	2,354,036
<b>Total Assets</b>	<b>10,061,952</b>	<b>79,575</b>	<b>10,141,527</b>
<b>Liabilities</b>			
Accounts payable	244,995	109	245,104
ISCAP warrants payable	677,000	0	677,000
ISCAP accrued interest payable	3,754	0	3,754
ISCAP unamortized premium	10,782	0	10,782
Accrued interest payable	37,685	0	37,685
Deferred revenue:			
Succeeding year property tax	2,022,521	0	2,022,521
Other	5,149	0	5,149
Unearned revenue	0	648	648
Long-term liabilities:			
Portion due after one year:			
Revenue bonds payable	3,500,000	0	3,500,000
<b>Total Liabilities</b>	<b>6,501,886</b>	<b>757</b>	<b>6,502,643</b>
<b>Net Assets</b>			
Invested in capital assets	1,785,908	27,031	1,812,939
Restricted for:			
Categorical funding	87,847	0	87,847
Management levy	48,629	0	48,629
Physical plant and equipment levy	28,956	0	28,956
Capital projects	328,272	0	328,272
Debt service levy	326,975	0	326,975
Other special revenue purposes	102,179	0	102,179
Unrestricted	851,300	51,787	903,087
<b>Total Net Assets</b>	<b>\$ 3,560,066</b>	<b>78,818</b>	<b>3,638,884</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,118,833	146,878	630,483	20,375	(1,321,097)	0	(1,321,097)
Special	705,787	39,659	41,617	0	(624,511)	0	(624,511)
Other	727,741	298,273	0	75	(429,393)	0	(429,393)
	<u>3,552,361</u>	<u>484,810</u>	<u>672,100</u>	<u>20,450</u>	<u>(2,375,001)</u>	<u>0</u>	<u>(2,375,001)</u>
Support services:							
Student	183,223	0	0	0	(183,223)	0	(183,223)
Instructional staff	148,086	0	0	0	(148,086)	0	(148,086)
Administration	579,664	0	0	0	(579,664)	0	(579,664)
Operation and maintenance of plant	367,246	0	0	0	(367,246)	0	(367,246)
Transportation	268,252	26,296	380	0	(241,576)	0	(241,576)
	<u>1,546,471</u>	<u>26,296</u>	<u>380</u>	<u>0</u>	<u>(1,519,795)</u>	<u>0</u>	<u>(1,519,795)</u>
Other expenditures:							
Facilities acquisitions	66,446	0	99,387	4,165	37,106	0	37,106
Long-term debt interest	71,764	0	0	0	(71,764)	0	(71,764)
AEA flowthrough	193,592	0	193,592	0	0	0	0
Depreciation (unallocated)*	59,254	0	0	0	(59,254)	0	(59,254)
	<u>391,056</u>	<u>0</u>	<u>292,979</u>	<u>4,165</u>	<u>(93,912)</u>	<u>0</u>	<u>(93,912)</u>
Total governmental activities	5,489,888	511,106	965,459	24,615	(3,988,708)	0	(3,988,708)
Business-Type activities:							
Support services:							
Administration	8,539	0	0	0	0	(8,539)	(8,539)
Operation and maintenance of plant	5,052	0	0	0	0	(5,052)	(5,052)
	<u>13,591</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(13,591)</u>	<u>(13,591)</u>
Non-instructional programs:							
Nutrition services	214,465	145,620	90,420	0	0	21,575	21,575
Enterprise	29,289	35,866	0	0	0	6,577	6,577
	<u>243,754</u>	<u>181,486</u>	<u>90,420</u>	<u>0</u>	<u>0</u>	<u>28,152</u>	<u>28,152</u>
Total business-type activities	257,345	181,486	90,420	0	0	14,561	14,561
Total	\$ 5,747,233	692,592	1,055,879	24,615	(3,988,708)	14,561	(3,974,147)
<b>General Revenues and Transfers:</b>							
General Revenues:							
Property tax levied for:							
General purposes				\$ 1,802,180	0	1,802,180	
Capital outlay				53,676	0	53,676	
Income surtax				266,751	0	266,751	
Local option sales and services tax				208,083	0	208,083	
Unrestricted state grants				1,971,587	0	1,971,587	
Unrestricted investment earnings				21,576	226	21,802	
Other general revenues				28,733	0	28,733	
Transfers				(3,033)	3,033	0	
Total general revenues and transfers				<u>4,349,553</u>	<u>3,259</u>	<u>4,352,812</u>	
Changes in net assets				360,845	17,820	378,665	
Net assets beginning of year				<u>3,199,221</u>	<u>60,998</u>	<u>3,260,219</u>	
Net assets end of year				<u>\$ 3,560,066</u>	<u>78,818</u>	<u>3,638,884</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	\$ 686,891	0	0	686,891
Other	620,243	3,351,345	500,915	4,472,503
Receivables:				
Property tax:				
Delinquent	28,208	0	1,757	29,965
Succeeding year	1,856,327	0	166,194	2,022,521
Income surtax	213,420	0	0	213,420
Accounts	6,512	0	6,523	13,035
Accrued ISCAP interest	2,626	0	0	2,626
Due from other governments	162,784	131,202	0	293,986
<b>Total Assets</b>	<b>\$ 3,577,011</b>	<b>3,482,547</b>	<b>675,389</b>	<b>7,734,947</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 47,167	195,372	2,456	244,995
ISCAP warrants payable	677,000	0	0	677,000
ISCAP accrued interest payable	3,754	0	0	3,754
ISCAP unamortized premium	10,782	0	0	10,782
Deferred revenue:				
Succeeding year property tax	1,856,327	0	166,194	2,022,521
Income surtax	213,420	0	0	213,420
Other	5,149	0	0	5,149
Total liabilities	2,813,599	195,372	168,650	3,177,621
Fund balances:				
Reserved for:				
Construction	0	2,958,903	0	2,958,903
Debt service	0	0	326,975	326,975
Categorical funding	87,847	0	0	87,847
Unreserved	675,565	328,272	179,764	1,183,601
Total fund balances	763,412	3,287,175	506,739	4,557,326
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,577,011</b>	<b>3,482,547</b>	<b>675,389</b>	<b>7,734,947</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

<b>Total fund balances of governmental funds (page 15)</b>	\$	4,557,326
 <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.		2,327,005
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.		(37,685)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		213,420
Long-term liabilities, including revenue bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.		<u>(3,500,000)</u>
<b>Net assets of governmental activities (page 13)</b>	<b>\$</b>	<b><u><u>3,560,066</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,980,423	208,083	108,772	2,297,278
Tuition	169,943	0	0	169,943
Other	118,280	14,643	283,164	416,087
State sources	2,533,275	99,387	79	2,632,741
Federal sources	304,305	0	0	304,305
Total revenues	<u>5,106,226</u>	<u>322,113</u>	<u>392,015</u>	<u>5,820,354</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,096,852	0	2,951	2,099,803
Special	705,787	0	0	705,787
Other	488,074	0	248,968	737,042
	<u>3,290,713</u>	<u>0</u>	<u>251,919</u>	<u>3,542,632</u>
Support services:				
Student	183,223	0	0	183,223
Instructional staff	132,130	0	0	132,130
Administration	577,181	0	1,488	578,669
Operation and maintenance of plant	314,863	0	53,164	368,027
Transportation	239,318	0	14,028	253,346
	<u>1,446,715</u>	<u>0</u>	<u>68,680</u>	<u>1,515,395</u>
Other expenditures:				
Facilities acquisitions	0	606,825	115,434	722,259
Long-term debt:				
Interest	0	0	750	750
AEA flowthrough	193,592	0	0	193,592
	<u>193,592</u>	<u>606,825</u>	<u>116,184</u>	<u>916,601</u>
Total expenditures	<u>4,931,020</u>	<u>606,825</u>	<u>436,783</u>	<u>5,974,628</u>
Excess (deficiency) of revenues over (under) expenditures	175,206	(284,712)	(44,768)	(154,274)
Other financing sources (uses):				
Revenue bonds issued	0	3,500,000	0	3,500,000
Premium on bonds issued	0	19,376	0	19,376
Discount on bonds issued	0	(52,705)	0	(52,705)
Transfers in	0	0	327,710	327,710
Transfers out	0	(327,710)	0	(327,710)
Total other financing sources (uses)	<u>0</u>	<u>3,138,961</u>	<u>327,710</u>	<u>3,466,671</u>
Net change in fund balances	175,206	2,854,249	282,942	3,312,397
Fund balance beginning of year	588,206	432,926	223,797	1,244,929
Fund balance end of year	<u>\$ 763,412</u>	<u>3,287,175</u>	<u>506,739</u>	<u>4,557,326</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ 3,312,397

*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 during the year are as follows:

Capital outlays	\$ 685,228	
Depreciation expense	(132,227)	
Loss on disposal of capital assets	<u>(280)</u>	552,721

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Current year issues are as follows:

Issued	(3,500,000)
--------	-------------

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.

(37,685)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

33,412

Changes in net assets of governmental activities (page 14) \$ 360,845

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

	Other		Total
	School Nutrition	Enterprise Funds	
<b>Assets</b>			
Cash and pooled investments	\$ 34,791	4,667	39,458
Accounts receivable	1,157	670	1,827
Inventories	11,259	0	11,259
Capital assets, net of accumulated depreciation (Note 5)	27,031	0	27,031
<b>Total assets</b>	<b>74,238</b>	<b>5,337</b>	<b>79,575</b>
<b>Liabilities</b>			
Accounts payable	0	109	109
Unearned revenue	648	0	648
<b>Total liabilities</b>	<b>648</b>	<b>109</b>	<b>757</b>
<b>Net assets</b>			
Invested in capital assets	27,031	0	27,031
Unrestricted	46,559	5,228	51,787
<b>Total net assets</b>	<b>\$ 73,590</b>	<b>5,228</b>	<b>78,818</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition	Other Enterprise Funds	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 145,620	35,866	181,486
OPERATING EXPENSES:			
Support services:			
Administration:			
Salaries	6,389	0	6,389
Benefits	894	0	894
Supplies	381	0	381
Other	875	0	875
	<u>8,539</u>	<u>0</u>	<u>8,539</u>
Operation and maintenance of plant services:			
Services	3,927	0	3,927
Supplies	1,125	0	1,125
	<u>5,052</u>	<u>0</u>	<u>5,052</u>
	<u>13,591</u>	<u>0</u>	<u>13,591</u>
Non-instructional programs:			
Salaries	69,253	4,567	73,820
Benefits	20,270	639	20,909
Services	0	4,243	4,243
Supplies	119,802	19,840	139,642
Depreciation	4,862	0	4,862
	<u>214,187</u>	<u>29,289</u>	<u>243,476</u>
TOTAL OPERATING EXPENSES	<u>227,778</u>	<u>29,289</u>	<u>257,067</u>
OPERATING INCOME (LOSS)	(82,158)	6,577	(75,581)
NON-OPERATING REVENUES:			
State sources	2,785	0	2,785
Federal sources	87,635	0	87,635
Interest income	193	33	226
TOTAL NON-OPERATING REVENUES	<u>90,613</u>	<u>33</u>	<u>90,646</u>
Excess of revenues over expenses	8,455	6,610	15,065
Other financing sources (uses):			
Loss on asset disposal	(278)	0	(278)
Capital contributions	3,033	0	3,033
Total other financing sources (uses)	<u>2,755</u>	<u>0</u>	<u>2,755</u>
Changes in net assets	11,210	6,610	17,820
Net assets beginning of year	62,380	(1,382)	60,998
Net assets end of year	<u>\$ 73,590</u>	<u>5,228</u>	<u>78,818</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 142,853	0	142,853
Cash received from miscellaneous operating activities	1,257	37,699	38,956
Cash payments to employees for services	(96,806)	(5,206)	(102,012)
Cash payments to suppliers for goods or services	(108,392)	(26,360)	(134,752)
Net cash provided by(used in) operating activities	(61,088)	6,133	(54,955)
Cash flows from non-capital financing activities:			
State grants received	2,785	0	2,785
Federal grants received	69,388	0	69,388
Net cash provided by non-capital financing activities	72,173	0	72,173
Cash flows from capital and related financing activities:			
Purchase of capital assets	(550)	0	(550)
Cash flows from investing activities:			
Interest on investments	193	33	226
Net increase in cash and cash equivalents	10,728	6,166	16,894
Cash and cash equivalents at beginning of year	24,063	(1,499)	22,564
Cash and cash equivalents at end of year	\$ 34,791	4,667	39,458
Reconciliation of operating loss to net cash used in operating activities:			
Operating income(loss)	\$ (82,158)	6,577	(75,581)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:			
Commodities consumed	18,247	0	18,247
Depreciation	4,862	0	4,862
Increase in inventories	(529)	0	(529)
(Increase)Decrease in accounts receivable	(1,157)	1,833	676
Decrease in accounts payable	0	(2,277)	(2,277)
Decrease in unearned revenue	(353)	0	(353)
Net cash used in operating activities	\$ (61,088)	6,133	(54,955)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 34,791	4,667	39,458
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2009, the District received Federal commodities valued at \$18,247.			
During the year ended June 30, 2009, the District received \$3,033 in capital contributions from the Physical Plant and Equipment Levy Fund.			

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarships</u>
<b>Assets</b>	
Cash and pooled investments	\$ 745
<b>Liabilities</b>	<u>0</u>
<b>Net Assets</b>	
Restricted for scholarships	<u>\$ 745</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	\$ 0
Deductions:	<u>0</u>
Change in net assets	0
Net assets beginning of year	<u>745</u>
Net assets end of year	<u>\$ 745</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

The North Tama County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Traer, Buckingham, Dinsdale and Clutier, Iowa, and the predominate agricultural territory in Tama 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, North Tama County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The North Tama County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Tama 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* consists of capital assets, net of accumulated depreciation.

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Other Enterprise Funds. The School Nutrition Fund is used to account for the food service operations of the District. The Other Enterprise Funds account is used to account for transactions related to JET, NT&S and other smaller miscellaneous accounts.

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 Equivalentents - 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 equivalentents. Cash equivalentents 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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 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 Statement of Net Assets in the Proprietary, 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, 2009 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Fair Value</u>
Diversified Portfolio	<u>\$ 3,215,290</u>

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

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

**(3) Interfund Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 327,710</u>

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

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools 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. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Accrued Warrants Payable	Accrued Interest Payable
2008-09B	6/26/08	6/25/09	278,526	2,576	275,000	3,616
2009-10A	1/23/08	1/23/09	408,365	50	402,000	138
Total			<u>\$ 686,891</u>	<u>2,626</u>	<u>677,000</u>	<u>3,754</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 of the 25<sup>th</sup> 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 advance activity in the General Fund for the year ended June 30, 2009.

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
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 116,414	0	0	116,414
Construction in progress	0	541,097	0	541,097
Total capital assets not being depreciated	116,414	541,097	0	657,511
Capital assets being depreciated:				
Buildings	2,933,310	85,640	0	3,018,950
Improvements other than buildings	375,160	29,076	0	404,236
Machinery and equipment	1,214,806	29,415	1,401	1,242,820
Total capital assets being depreciated	4,523,276	144,131	1,401	4,666,006
Less accumulated depreciation for:				
Buildings	1,608,144	44,777	0	1,652,921
Improvements other than buildings	192,256	14,477	0	206,733
Machinery and equipment	1,065,006	72,973	1,121	1,136,858
Total accumulated depreciation	2,865,406	132,227	1,121	2,996,512
Total capital assets being depreciated, net	1,657,870	11,904	280	1,669,494
Governmental activities capital assets, net	\$ 1,774,284	553,001	280	2,327,005

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 78,270	3,583	3,358	78,495
Less accumulated depreciation	49,682	4,862	3,080	51,464
Business type activities capital assets, net	\$ 28,588	(1,279)	278	27,031

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 18,750
Other		4,048
Support services:		
Instructional support services		15,956
Administration		2,321
Operation and maintenance plant assets		2,252
Transportation		29,646
		<u>72,973</u>
Unallocated depreciation		59,254
Total governmental activities depreciation expense		<u>\$ 132,227</u>
Business type activities:		
Food services		<u>\$ 4,862</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 0	3,500,000	0	3,500,000	0

Revenue Bonds

During the year ended June 30, 2009, the District issued \$3.5 million of revenue bonds to help defray the costs of an addition that is being built onto the high school.

Details of the District's June 30, 2009 revenue bond indebtedness are as follows:

Year Ending June 30,	Bond issue dated April 1, 2009			
	Interest Rates	Principal	Interest	Total
2010	- %	\$ -	113,055	113,055
2011	-	-	150,740	150,740
2012	3.50	85,000	149,252	234,252
2013	3.50	115,000	145,753	260,753
2014	3.50	120,000	141,640	261,640
2015-2019	3.50-3.90%	790,000	630,015	1,420,015
2020-2024	4.00-4.50%	935,000	458,975	1,393,975
2025-2030	4.60-5.10%	1,455,000	227,405	1,682,405
Total		\$ 3,500,000	2,016,835	5,516,835

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$3,500,000 of bonds issued in April 2009. The bonds were issued for the purpose of financing a portion of the costs of a new addition to the high school building. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 40 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,516,835. For the current year, no principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$307,470.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$350,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the local option (statewide) sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into the sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$172,357, \$158,097 and \$142,070, 3 respectively, equal to the required contributions for each year.

**(8) Risk Management**

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

**(9) 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 \$193,592 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Talented and gifted	\$ 60,425
Additional teacher contract day	2,161
Model core curriculum	8,097
Teacher development academies	3,815
Professional development	9,553
Market factor incentives	3,796
Total	<u>\$ 87,847</u>

**(11) Construction Commitment**

The District has entered into various contracts totaling \$2,928,870 for construction of an addition to the high school building. As of June 30, 2009, costs of \$377,323 had been incurred against the contracts. The balance of \$2,551,547 remaining at June 30, 2009 will be paid as work on the project progresses. The total cost of the addition to the high school will be added to the District's fixed asset listing upon completion.

**(12) Other Postemployment Benefits (OPEB)**

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 2,883,308	181,712	3,065,020	3,283,074	3,283,074	(218,054)
Intermediate sources	0	0	0	50,000	50,000	(50,000)
State sources	2,632,741	2,785	2,635,526	2,735,775	2,735,775	(100,249)
Federal sources	304,305	87,635	391,940	245,000	245,000	146,940
Total revenues:	5,820,354	272,132	6,092,486	6,313,849	6,313,849	(221,363)
<b>Expenditures/Expenses:</b>						
Instruction	3,542,632	0	3,542,632	3,844,690	4,000,000	457,368
Support services	1,515,395	13,591	1,528,986	1,929,271	1,929,271	400,285
Non-instructional programs	0	243,476	243,476	318,074	318,074	74,598
Other expenditures	916,601	0	916,601	959,104	1,300,000	383,399
Total expenditures/expenses:	5,974,628	257,067	6,231,695	7,051,139	7,547,345	1,315,650
Excess(deficiency) of revenues over(under) expenditures/expenses	(154,274)	15,065	(139,209)	(737,290)	(1,233,496)	1,094,287
Other financing sources(uses), net	3,466,671	2,755	3,469,426	0	0	3,469,426
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	3,312,397	17,820	3,330,217	(737,290)	(1,233,496)	4,563,713
Balance beginning of year	1,244,929	60,998	1,305,927	842,241	842,241	463,686
Balance end of year	\$ 4,557,326	78,818	4,636,144	104,951	(391,255)	5,027,399

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

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

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

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

During the year ended June 30, 2009, the District adopted one budget amendment increasing budgeted expenditures by \$496,206.

OTHER SUPPLEMENTARY INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
<b>Assets</b>						
Cash and pooled investments	\$ 47,739	98,112	28,089	173,940	326,975	500,915
Receivables:						
Property tax:						
Current year delinquent	890	0	867	1,757	0	1,757
Succeeding year	110,001	0	56,193	166,194	0	166,194
Accounts	0	6,523	0	6,523	0	6,523
<b>Total Assets</b>	<b>\$ 158,630</b>	<b>104,635</b>	<b>85,149</b>	<b>348,414</b>	<b>326,975</b>	<b>675,389</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 0	2,456	0	2,456	0	2,456
Deferred revenue:						
Succeeding year property tax	110,001	0	56,193	166,194	0	166,194
Total liabilities	110,001	2,456	56,193	168,650	0	168,650
Fund balances:						
Reserved for debt service	0	0	0	0	326,975	326,975
Unreserved fund balances	48,629	102,179	28,956	179,764	0	179,764
Total fund balances	48,629	102,179	28,956	179,764	326,975	506,739
<b>Total Liabilities and Fund Balances</b>	<b>\$ 158,630</b>	<b>104,635</b>	<b>85,149</b>	<b>348,414</b>	<b>326,975</b>	<b>675,389</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Nonmajor Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	Other Nonmajor Governmental Funds
Revenues:						
Local sources:						
Local tax	\$ 55,096	0	53,676	108,772	0	108,772
Other	312	277,150	5,687	283,149	15	283,164
State sources	40	0	39	79	0	79
Total revenues	55,448	277,150	59,402	392,000	15	392,015
Expenditures:						
Current:						
Instruction:						
Regular	2,951	0	0	2,951	0	2,951
Other	0	248,968	0	248,968	0	248,968
Support services:						
Administration	1,488	0	0	1,488	0	1,488
Operation and maintenance of plant	24,911	4,120	24,133	53,164	0	53,164
Student transportation	14,028	0	0	14,028	0	14,028
Other expenditures:						
Facilities acquisitions	0	0	115,434	115,434	0	115,434
Long-term debt:						
Interest and fiscal charges	0	0	0	0	750	750
Total expenditures	43,378	253,088	139,567	436,033	750	436,783
Excess(deficiency) of revenues over(under) expenditures	12,070	24,062	(80,165)	(44,033)	(735)	(44,768)
Other financing sources:						
Transfer in	0	0	0	0	327,710	327,710
Net change in fund balances	12,070	24,062	(80,165)	(44,033)	326,975	282,942
Fund balances beginning of year	36,559	78,117	109,121	223,797	0	223,797
Fund balances end of year	\$ 48,629	102,179	28,956	179,764	326,975	506,739

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Musical	\$ (700)	1,516	713	103
Instrumental Activity	2,041	1,900	512	3,429
Music Boosters	4,614	23,808	20,428	7,994
Music Boosters Investment	8,425	376	0	8,801
Youth Basketball	100	0	0	100
Athletics	10,398	72,584	76,832	6,150
Baseball/Softball	5,278	22,371	22,201	5,448
Youth Baseball	3,087	0	1,223	1,864
Elementary SB	0	525	252	273
Nationals	1,128	93	484	737
Uniforms	3,020	13	0	3,033
Booster Club	13,895	82,938	60,251	36,582
Cheerleaders	788	3	19	772
Academic Decathalon	0	4,762	4,248	514
FCCLA	1,389	10,276	9,896	1,769
Ind Arts Club	(223)	373	0	150
National Honor Society	773	381	772	382
Spanish Club	2,032	3,018	4,207	843
Speech Club	229	381	475	135
Student Council	2,148	7,187	6,250	3,085
Memory Book	145	1,508	0	1,653
Yearbook	1,530	14,511	14,064	1,977
JH Student Council	1,009	3,562	4,290	281
Interest	545	464	0	1,009
North Tama Dance Squad	2,355	3,101	4,828	628
Elementary Drill Team	1,298	211	1,323	186
Swing Show	1,466	8,400	8,231	1,635
Redhawks Readers	1,266	1,007	298	1,975
Art Club	2,577	1,779	1,256	3,100
FFA	798	1,774	3,271	(699)
PTO	4,416	2,050	1,049	5,417
Resident Artist	(260)	345	0	85
Athletic Improvement	1,216	5	0	1,221
Class of 2008	292	206	498	0
Class of 2009	646	1,407	2,053	0
Class of 2010	0	3,843	2,296	1,547
Fund Balance SADD	496	372	868	0
Elementary Pop Machine	(100)	100	0	0
<b>Total</b>	<b>\$ 78,117</b>	<b>277,150</b>	<b>253,088</b>	<b>102,179</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 OTHER ENTERPRISE FUNDS  
 JUNE 30, 2009

	Book				
	Fair	JET	NT & S	Other	Total
<b>Assets</b>					
Cash and pooled investments	\$ 913	(15)	1,733	2,036	4,667
Accounts receivable	0	0	0	670	670
	913	(15)	1,733	2,706	5,337
<b>Liabilities</b>					
Accounts payable	0	0	0	109	109
<b>Net assets</b>					
Total net assets	\$ 913	(15)	1,733	2,597	5,228

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 OTHER ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2009

	Book Fair	JET	NT & S	Other	Total
OPERATING REVENUE:					
Local sources:					
Charges for services	\$ 7,535	0	2,854	25,477	35,866
OPERATING EXPENSES:					
Instruction:					
Salaries	0	0	0	4,567	4,567
Benefits	0	0	0	639	639
Services	0	0	0	4,243	4,243
Supplies	7,440	0	2,976	9,424	19,840
TOTAL OPERATING EXPENSES	7,440	0	2,976	18,873	29,289
OPERATING INCOME (LOSS)	95	0	(122)	6,604	6,577
NON-OPERATING REVENUES:					
Interest income	6	0	11	16	33
Change in net assets	101	0	(111)	6,620	6,610
Net assets beginning of year	812	(15)	1,844	(4,023)	(1,382)
Net assets end of year	\$ 913	(15)	1,733	2,597	5,228

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 OTHER ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2009

	Book Fair	JET	NT & S	Other	Total
Cash flows from operating activities:					
Cash received from miscellaneous operating activities	\$ 7,535	0	2,854	27,310	37,699
Cash payments to employees for services	0	0	0	(5,206)	(5,206)
Cash payments to suppliers for goods or services	(7,440)	0	(2,976)	(15,944)	(26,360)
Net cash provided by(used in) operating activities	<u>95</u>	<u>0</u>	<u>(122)</u>	<u>6,160</u>	<u>6,133</u>
Cash flows from investing activities:					
Interest on investments	6	0	11	16	33
Net increase(decrease) in cash and cash equivalents	101	0	(111)	6,176	6,166
Cash and cash equivalents at beginning of year	812	(15)	1,844	(4,140)	(1,499)
Cash and cash equivalents at end of year	<u>\$ 913</u>	<u>(15)</u>	<u>1,733</u>	<u>2,036</u>	<u>4,667</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ 95	0	(122)	6,604	6,577
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Decrease in accounts receivable	0	0	0	1,833	1,833
Decrease in accounts payable	0	0	0	(2,277)	(2,277)
Net cash provided by(used in) operating activities	<u>\$ 95</u>	<u>0</u>	<u>(122)</u>	<u>6,160</u>	<u>6,133</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:					
Current assets:					
Cash and pooled investments	<u>\$ 913</u>	<u>(15)</u>	<u>1,733</u>	<u>2,036</u>	<u>4,667</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,297,278	2,173,495	2,132,698	2,051,963	1,930,361	1,853,955
Tuition	169,943	208,240	177,998	160,156	197,307	148,428
Other	416,087	359,854	480,450	349,277	372,176	285,966
Intermediate sources	0	23,664	29,821	44,889	0	0
State sources	2,632,741	2,577,545	2,320,017	2,092,833	1,923,128	1,733,213
Federal sources	304,305	148,185	147,456	108,421	138,940	103,148
<b>Total</b>	<b>\$ 5,820,354</b>	<b>5,490,983</b>	<b>5,288,440</b>	<b>4,807,539</b>	<b>4,561,912</b>	<b>4,124,710</b>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 2,099,803	2,062,199	2,263,131	2,069,180	1,976,410	1,602,992
Special	705,787	608,998	542,850	509,009	556,548	369,907
Other	737,042	540,011	292,642	332,365	135,386	450,074
Support services:						
Student	183,223	185,259	177,968	187,172	136,781	134,248
Instructional staff	132,130	146,603	146,551	167,755	81,459	121,762
Administration	578,669	569,465	545,955	548,462	570,538	569,093
Operation and maintenance						
of plant	368,027	370,174	318,741	332,797	315,180	286,537
Transportation	253,346	276,296	255,552	287,371	231,975	295,949
Central	0	0	0	0	0	871
Other expenditures:						
Facilities acquisitions	722,259	285,807	247,907	304,021	80,103	10,000
Long-term debt:						
Principal	0	0	0	42,000	135,500	127,500
Interest	750	0	0	1,858	10,553	18,206
AEA flow-through	193,592	185,379	177,099	160,424	146,689	147,606
<b>Total</b>	<b>\$ 5,974,628</b>	<b>5,230,191</b>	<b>4,968,396</b>	<b>4,942,414</b>	<b>4,377,122</b>	<b>4,134,745</b>

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  
North Tama County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 30, 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 North Tama County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of North Tama County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Tama County Community School District's internal control over financial reporting.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

#### Compliance and Other Matters

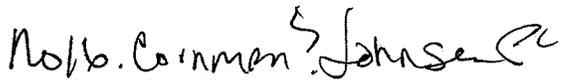
As part of obtaining reasonable assurance about whether North Tama County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part 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, 2009 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.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Tama County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 30, 2009

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - With a limited staff, it is difficult to segregate all duties well at times. The District will continue to investigate ways to segregate duties as best as possible with the staff available.

Conclusion - Response accepted.

I-B-09 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to software training on bank reconciliations.

Response - The business manager has a training/mentoring arrangement with an area business manager to assist with questions/problems that may arise.

Conclusion - Response accepted.

CONTROL DEFICIENCIES:

I-C-09 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. This procedure significantly weakens 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 - This mistake was made at one high school football playoff game by a person filling in for our athletic director. The District will be more careful in the future to ensure this will not happen again.

Conclusion - Response accepted.

I-D-09 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - Non-certified staff are now logging timesheets to comply with the requirement.

Conclusion - Response accepted.

I-E-09 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the 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 - The business manager and administrators will record specific line-item accounts per requirements for projects and grants.

Conclusion - Response accepted.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS  
 YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009 did not exceed the amount budgeted.

II-B-09 Questionable Disbursements - We noted during our audit that the District purchased gift cards from the Activity Fund to give to students as rewards for creation of the student yearbook. Giving gift cards to students as rewards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The gift cards as rewards were done in error and will not occur again.

Conclusion - Response accepted.

II-C-09 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.

II-D-09 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Judy Robb, Board Member	Substitute Teacher	\$1,835
Josh Youel, Teacher Spouse owner of Staker Furniture	Carpet and Blinds	\$2,072

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Judy Robb do not appear to represent a conflict of interest.

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

II-E-09 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-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

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

Response - The District was late four times, once as a result of school oversight and three as a result of staff and technology problems at the newspaper. Copies of e-mails sent to the newspaper will be printed in the future to show that minutes were sent to the newspaper in a timely manner.

Conclusion - Response accepted.

- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 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-09 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-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance	\$	0
Statewide sales and services tax revenue		307,470
Expenditures/Transfers out		<u>0</u>
Ending Balance	<u>\$</u>	<u>307,470</u>

- II-L-09 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 take measures to ensure to comply with the recommendation.

Conclusion - Response accepted.

- II-M-09 Check Signatures - We noted during our audit, unauthorized signatures on checks issued by the District. Chapter 291.8 of the Code of Iowa requires Board Secretary to sign all checks. Pursuant to Chapter 291.1 of the Code of Iowa, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in his/her absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - The Board Secretary and the Board President/designee will sign all checks in the future. In the future, the designation for the Board President's signature will be set by board action.

Conclusion - Response accepted.

II-N-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations 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 annually before November 1<sup>st</sup>.

Response - One cook lost a payroll check(subsequently reissued) and two athletic referees did not cash their checks in a timely manner and were unaccounted for(which is now being dealt with). In the future, checks such as these will be voided, reissued or reported as unclaimed property.

Conclusion - Response accepted.