

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

To the Board of Education of
South Clay Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Clay Community School District, Gillett Grove, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Clay 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.

As explained on note 10 to the financial statements, the Board of Directors of the South Clay Community School District has decided to dissolve the District effective June 30, 2010.

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2010, on our consideration of South Clay Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Clay 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, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Clay 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 decreased from \$1,615,637 in fiscal 2008 to \$1,518,472 in fiscal 2009, while General Fund expenditures decreased from \$1,597,260 in fiscal 2008 to \$1,512,240 in fiscal 2009. The District's General Fund balance decreased from \$346,221 in fiscal 2008 to \$332,453 in fiscal 2009, a 4% decrease.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of South Clay Community School District as a whole and present an overall view of the District's finances.

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

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-1
South Clay Community School District Annual Financial Report

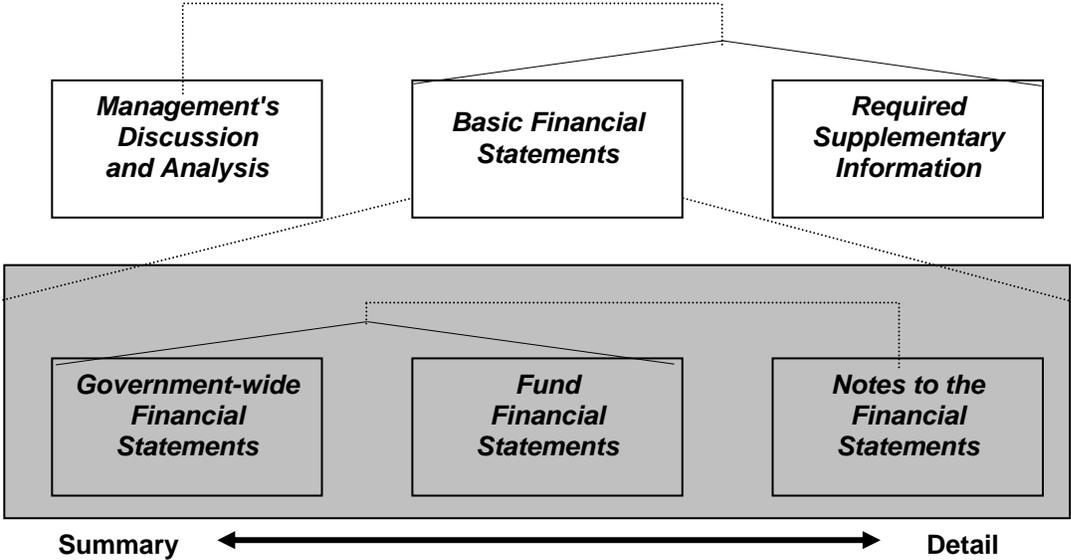


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has one internal service fund used to account for the District's employee flexible benefit plan.

The required financial statements for proprietary funds include a statement of net assets, 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 Activities		Business-type Activities		Total School District		Percentage Change
	2008	2009	2008	2009	2008	2009	2008-2009
	\$	\$	\$		\$	\$	
Current and other assets	1,714,835	1,877,031	1,562	14,781	1,716,397	1,891,812	10%
Capital assets	164,758	135,856	-	-	164,758	135,856	-18%
Total assets	1,879,593	2,012,887	1,562	14,781	1,881,155	2,027,668	8%
Long-term liabilities	20,000	26,913	-	-	20,000	26,913	35%
Other liabilities	891,258	913,849	220	-	891,478	913,849	3%
Total liabilities	911,258	940,762	220	-	911,478	940,762	3%
Net Assets:							
Invested in capital assets, net of related debt	164,758	135,856	-	-	164,758	135,856	-18%
Restricted	416,772	546,143	-	-	416,772	546,143	31%
Unrestricted	386,805	390,126	1,342	14,781	388,147	404,907	4%
TOTAL NET ASSETS	968,335	1,072,125	1,342	14,781	969,677	1,086,906	12%

The District's combined net assets increased by nearly 12%, or approximately \$117,229, over the prior year.

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 \$129,371 or 31% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$16,760, or 4%.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2009.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2008	2009	2008	2009	2008	2009	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	95,890	67,458	17,402	14,623	113,292	82,081	-28%
Operating grants & contributions	199,386	222,784	17,313	20,790	216,699	243,574	12%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	850,589	829,131	-	-	850,589	829,131	-3%
Income Surtax	66,135	71,835	-	-	66,135	71,835	9%
Statewide sales & services tax	78,530	133,406	-	-	78,530	133,406	70%
Unrestricted state grants	451,644	447,604	-	-	451,644	447,604	-1%
Unrestricted investment earnings	26,341	14,416	102	166	26,443	14,582	-45%
Total Revenues	1,768,515	1,786,634	34,817	35,579	1,803,332	1,822,213	1%
Expenses:							
Instruction	1,235,579	1,162,584	-	-	1,235,579	1,162,584	-6%
Support services	426,847	430,912	-	-	426,847	430,912	1%
Non-instructional programs	-	-	41,050	42,140	41,050	42,140	3%
Other expenditures	62,826	69,348	-	-	62,826	69,348	10%
Total expenses	1,725,252	1,662,844	41,050	42,140	1,766,302	1,704,984	-3%
Change in net assets before transfers	43,263	123,790	(6,233)	(6,561)	37,030	117,229	217%
Transfers	-	(20,000)	-	20,000	-	-	0%
CHANGE IN NET ASSETS	43,263	103,790	(6,233)	13,439	37,030	117,229	217%
Net assets beginning of year	925,072	968,335	7,575	1,342	932,647	969,677	4%
Net assets end of year	968,335	1,072,125	1,342	14,781	969,677	1,086,906	12%

Property tax and unrestricted state grants account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 93% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$1,786,634 and expenses were \$1,662,844. The District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5 Total and Net Cost of Governmental Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2008	2009	2008	2009
	\$	\$	\$	\$
Instruction	1,235,579	1,162,584	1,032,248	960,321
Support Services	426,847	430,912	395,126	404,106
Other Expenses	62,826	69,348	2,602	8,175
TOTAL	1,725,252	1,662,844	1,429,976	1,372,602

- The cost financed by users of the 2008 District's programs was \$95,890 and for 2009 the total was \$67,458. This was charges for services.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$222,784.
- The net cost of governmental activities was financed with \$1,034,372 in property and other taxes and \$447,604 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$35,579 and expenses were \$42,140. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, South Clay 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 a combined fund balance of \$905,509 well above last year's ending fund balances of \$782,993.

Governmental Fund Highlights

- The General Fund balance decreased from \$346,221 to \$332,453. All of the decrease was due to a \$20,000 transfer to the School Nutrition Fund
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$27,273 in fiscal 2008 to \$23,797 in fiscal 2009.

- The Capital Projects, Local Option Sales Tax Fund balance increased \$111,998. Fiscal 2009 ended with a balance of \$430,435 consisting primarily of unexpended revenues which will be expended in the future for equipment and capital improvements.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$1,342 at June 30, 2008 to \$14,781 at June 30 2009. All of this increase was due to a \$20,000 transfer from the General Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, South Clay Community School District amended its annual budget one time to reflect additional expenditures associated with instruction.

The District’s receipts were \$127,532 less than budgeted receipts. The most significant variance resulted from the District receiving less in local and state funds 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.

In spite of its budgeting practice, expenditures during the year ended June 30, 2009, exceeded the amount budgeted in the non-instructional programs functional area, due to the timing of expenditures at year-end without time to amend the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$135,856, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease from last year. More detailed information about the District’s capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$28,902.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2008-2009
	Activities		Activities		School District		
	2008	2009	2008	2009	2008	2009	
	\$	\$	\$	\$	\$	\$	
Land	650	650	-	-	650	650	0%
Buildings	62,982	60,430	-	-	62,982	60,430	-4%
Equipment & Furniture	101,126	74,776	-	-	101,126	74,776	-26%
TOTAL	<u>164,758</u>	<u>135,856</u>	<u>-</u>	<u>-</u>	<u>164,758</u>	<u>135,856</u>	<u>-18%</u>

Long-Term Debt

At June 30, 2008 the District had \$26,913 in long-term debt outstanding. This represents an increase of approximately 100% from last year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage
	2008	2009	Change
			2008-2009
Termination benefits	\$ 20,000	\$ 26,913	35%

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

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

- School financing is highly dependent upon student enrollment. The District’s September 2008 enrollment decreased by seven students. This drop in enrollment will decrease the District’s funding for fiscal year 2010.

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 Heather Warren, District Secretary/Treasurer and Business Manager, South Clay Community School District, 300 Railway St., PO Box 68, Gillett Grove, Iowa, 51341.

BASIC FINANCIAL STATEMENTS

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	896,164	15,814	911,978
Receivables:			
Property tax:			
Delinquent	15,283	-	15,283
Succeeding year	850,851	-	850,851
Accounts receivable	3,966	-	3,966
Due from other governments	108,051	-	108,051
Interfund receivable (payable)	2,716	(2,716)	-
Inventories	-	1,683	1,683
Capital assets, net of accumulated depreciation	135,856	-	135,856
	<u>2,012,887</u>	<u>14,781</u>	<u>2,027,668</u>
Total assets			
Liabilities			
Accounts payable	42,362	-	42,362
Deferred revenue:			
Succeeding year property tax	850,851	-	850,851
Other	20,636	-	20,636
Long-term liabilities:			
Portion due within one year:			
Termination benefits	26,913	-	26,913
	<u>940,762</u>	<u>-</u>	<u>940,762</u>
Total liabilities			
Net assets			
Invested in capital assets, net of related debt	135,856	-	135,856
Restricted for:			
Management levy	90,149	-	90,149
Physical plant and equipment levy	23,797	-	23,797
Other special revenue purposes	1,762	-	1,762
Capital projects sales tax	430,435	-	430,435
Unrestricted	390,126	14,781	404,907
	<u>1,072,125</u>	<u>14,781</u>	<u>1,086,906</u>
Total net assets			

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for	Operating	Capital Grants,
	\$	Services	Grants, Contributions and Restricted Interest	Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	826,486	32,960	126,094	-
Special	244,196	6,989	8,075	-
Other	91,902	6,209	21,936	-
	<u>1,162,584</u>	<u>46,158</u>	<u>156,105</u>	<u>-</u>
Support services:				
Student	54	-	-	-
Instructional staff	25,384	-	-	-
Administration	159,650	-	-	-
Operation and maintenance of plant	151,572	-	-	-
Transportation	94,252	21,300	5,506	-
	<u>430,912</u>	<u>21,300</u>	<u>5,506</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	5,623	-	-	-
AEA flowthrough	61,173	-	61,173	-
Depreciation (unallocated)*	2,552	-	-	-
	<u>69,348</u>	<u>-</u>	<u>61,173</u>	<u>-</u>
Total governmental activities	1,662,844	67,458	222,784	-
Business type activities:				
Non-instructional programs:				
Food service operations	42,140	14,623	20,790	-
Total	<u>1,704,984</u>	<u>82,081</u>	<u>243,574</u>	<u>-</u>

General Revenues:

Property taxes levied for:
 General purposes
 Income surtax
 Statewide sales and services tax
 Unrestricted state grants
 Unrestricted investment earnings

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(667,432)	-	(667,432)
(229,132)	-	(229,132)
(63,757)	-	(63,757)
<u>(960,321)</u>	<u>-</u>	<u>(960,321)</u>
(54)	-	(54)
(25,384)	-	(25,384)
(159,650)	-	(159,650)
(151,572)	-	(151,572)
(67,446)	-	(67,446)
<u>(404,106)</u>	<u>-</u>	<u>(404,106)</u>
(5,623)	-	(5,623)
-	-	-
(2,552)	-	(2,552)
<u>(8,175)</u>	<u>-</u>	<u>(8,175)</u>
(1,372,602)	-	(1,372,602)
-	(6,727)	(6,727)
<u>(1,372,602)</u>	<u>(6,727)</u>	<u>(1,379,329)</u>
829,131	-	829,131
71,835	-	71,835
133,406	-	133,406
447,604	-	447,604
14,416	166	14,582
<u>1,496,392</u>	<u>166</u>	<u>1,496,558</u>
(20,000)	20,000	-
<u>1,476,392</u>	<u>20,166</u>	<u>1,496,558</u>
103,790	13,439	117,229
<u>968,335</u>	<u>1,342</u>	<u>969,677</u>
<u>1,072,125</u>	<u>14,781</u>	<u>1,086,906</u>

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Capital Projects	Management Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	293,025	405,743	158,903	25,576	883,247
Receivables:					
Property tax:					
Delinquent	13,426	-	1,857	-	15,283
Succeeding year	750,851	-	100,000	-	850,851
Accounts receivable	200	-	3,766	-	3,966
Interfund receivable	65,480	-	-	-	65,480
Due from other governments	83,209	24,842	-	-	108,051
Total assets	<u>1,206,191</u>	<u>430,585</u>	<u>264,526</u>	<u>25,576</u>	<u>1,926,878</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	42,195	150	-	17	42,362
Interfund payable	-	-	47,464	-	47,464
Deferred revenue:					
Succeeding year property tax	750,851	-	100,000	-	850,851
Income surtax	60,056	-	-	-	60,056
Other	20,636	-	-	-	20,636
Total liabilities	<u>873,738</u>	<u>150</u>	<u>147,464</u>	<u>17</u>	<u>1,021,369</u>
Fund balances:					
Unreserved reported in:					
General Fund	332,453	-	-	-	332,453
Special Revenue Funds	-	-	117,062	25,559	142,621
Capital Projects Fund	-	430,435	-	-	430,435
Total fund balances	<u>332,453</u>	<u>430,435</u>	<u>117,062</u>	<u>25,559</u>	<u>905,509</u>
Total liabilities and fund balances	<u>1,206,191</u>	<u>430,585</u>	<u>264,526</u>	<u>25,576</u>	<u>1,926,878</u>

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

	\$
Total fund balances of governmental funds (Exhibit C)	905,509
<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.	135,856
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	60,056
An Internal Service Fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.	(2,383)
Long-term liabilities, including termination benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(26,913)</u>
Net assets of governmental activities (Exhibit A)	<u><u>1,072,125</u></u>

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	General Fund	Capital Projects	Management Levy Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	782,633	133,406	101,969	-	1,018,008
Tuition	17,655	-	-	-	17,655
Other	47,796	2,147	5,913	8,363	64,219
State sources	615,511	-	-	-	615,511
Federal sources	54,877	-	-	-	54,877
Total revenues	<u>1,518,472</u>	<u>135,553</u>	<u>107,882</u>	<u>8,363</u>	<u>1,770,270</u>
Expenditures:					
Current:					
Instruction:					
Regular	794,049	3,201	23,048	-	820,298
Special	244,196	-	-	-	244,196
Other	85,247	-	-	6,655	91,902
	<u>1,123,492</u>	<u>3,201</u>	<u>23,048</u>	<u>6,655</u>	<u>1,156,396</u>
Support services:					
Student	54	-	-	-	54
Instructional staff	25,384	-	-	-	25,384
Administration	157,450	-	-	-	157,450
Operation and maintenance of plant	76,204	20,354	52,595	-	149,153
Transportation	68,483	-	4,038	-	72,521
	<u>327,575</u>	<u>20,354</u>	<u>56,633</u>	<u>-</u>	<u>404,562</u>
Other expenditures:					
Facilities acquisition	-	-	-	5,623	5,623
AEA flowthrough	61,173	-	-	-	61,173
	<u>61,173</u>	<u>-</u>	<u>-</u>	<u>5,623</u>	<u>66,796</u>
Total expenditures	<u>1,512,240</u>	<u>23,555</u>	<u>79,681</u>	<u>12,278</u>	<u>1,627,754</u>
Excess (deficiency) of revenues over (under) expenditures	6,232	111,998	28,201	(3,915)	142,516
Other financing sources (uses):					
Operating transfers out	(20,000)	-	-	-	(20,000)
Net change in fund balances	(13,768)	111,998	28,201	(3,915)	122,516
Fund balances beginning of year	346,221	318,437	88,861	29,474	782,993
Fund balances end of year	<u>332,453</u>	<u>430,435</u>	<u>117,062</u>	<u>25,559</u>	<u>905,509</u>

See notes to financial statements.

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		122,516
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows:		
Expenditures for capital assets	-	
Depreciation expense	<u>(28,902)</u>	(28,902)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		16,364
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefit		(6,913)
An Internal Service Fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the Internal Service Fund is reported with governmental activities.		
		<u>725</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>103,790</u></u>

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Assets		
Cash and cash equivalents	15,814	12,917
Inventories	<u>1,683</u>	<u>-</u>
Total assets	<u>17,497</u>	<u>12,917</u>
Liabilities		
Interfund payable	<u>2,716</u>	<u>15,300</u>
Net assets		
Unrestricted	<u>14,781</u>	<u>(2,383)</u>

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Operating revenues:		
Local sources:		
Charges for service	14,623	45,666
Operating expenses:		
Non-instructional programs:		
Salaries	21,393	-
Benefits	5,428	44,941
Supplies	15,319	-
Total operating expenses	<u>42,140</u>	<u>44,941</u>
Operating gain (loss)	<u>(27,517)</u>	<u>725</u>
Non-operating revenues:		
State sources	439	-
Federal sources	20,351	-
Interest income	166	-
Total non-operating revenues	<u>20,956</u>	<u>-</u>
Gain (loss) before transfers	(6,561)	725
Transfers in	<u>20,000</u>	<u>-</u>
Change in net assets	13,439	725
Net assets beginning of year	<u>1,342</u>	<u>(3,108)</u>
Net assets end of year	<u><u>14,781</u></u>	<u><u>(2,383)</u></u>

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	14,506	-
Cash received from other services	-	45,666
Cash payments to employees for services	(26,821)	(46,305)
Cash payments to suppliers for goods or services	(10,432)	-
Net cash (used by) provided by operating activities	<u>(22,747)</u>	<u>(639)</u>
Cash flows from non-capital financing activities:		
Transfer from General Fund	20,000	-
Loan from (repaid to) General Fund	(5,199)	-
State grants received	439	-
Federal grants received	17,063	-
Net cash provided by non-capital financing activities	<u>32,303</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	166	-
Net increase (decrease) in cash and cash equivalents	9,722	(639)
Cash and cash equivalents at beginning of year	6,092	13,556
Cash and cash equivalents at end of year	<u>15,814</u>	<u>12,917</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(27,517)	725
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	4,434	-
Decrease (increase) in inventories	453	-
Decrease (increase) in accounts receivable	103	-
(Decrease) increase in accounts payable	-	(1,364)
(Decrease) increase in deferred revenue	(220)	-
Net cash used by operating activities	<u>(22,747)</u>	<u>(639)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$4,434 of federal commodities.

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

South Clay Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Gillett Grove and Webb, Iowa and the predominately agricultural territory in a portion of Clay and Buena Vista Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, South Clay Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The South Clay Community School District has no component units that 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 does 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 County Assessor's 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 service.

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which 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 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 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 revenues 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 expenditures, 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 Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

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

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee benefit cafeteria plan.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 judgements, 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 the 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 non-operating 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost. The District had no investments as of June 30, 2009.

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

Property Tax Receivable – Property tax in governmental funds is 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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, furniture 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 repair 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	10-50 years
Furniture and equipment	5-20 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or 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 are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures exceeded the published amounts budgeted in the non-instructional programs function. Also, the District exceeded its spending authority in the General Fund.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor: School Nutrition Fund	2,716
General Fund	Nonmajor: Internal Service Fund	15,300
General Fund	Management Levy fund	47,464

The loans were made to assist with cash flow.

4. Interfund Transfers

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

Transfer To	Transfer From	Amount \$
Nonmajor Enterprise: School Nutrition Fund	General Fund	20,000

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

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

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	650	-	-	650
Capital assets being depreciated:				
Buildings	290,299	-	-	290,299
Furniture and equipment	399,499	-	-	399,499
Total capital assets being deprec.	689,798	-	-	689,798
Less accumulated depreciation for:				
Buildings	227,317	2,552	-	229,869
Furniture and equipment	298,373	26,350	-	324,723
Total accumulated depreciation	525,690	28,902	-	554,592
Total capital assets being depreciated, net	164,108	(28,902)	-	135,206
Governmental activities capital assets, net	164,758	(28,902)	-	135,856
	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Business type activities:				
Furniture and equipment	26,953	-	-	26,953
Less accumulated depreciation	26,953	-	-	26,953
Business type activities capital assets, net	-	-	-	-

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Support services:	
Administration	2,200
Operation and maintenance	2,419
Transportation	21,731
	26,350
Unallocated depreciation	2,552
	28,902
Business type activities:	
Food services	-

5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Termination benefits	20,000	26,913	20,000	26,913	26,913

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2009, the District has obligations to one participant with a total liability of \$26,913. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$20,000.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their covered annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$37,494, \$37,301, and \$32,410 respectively, equal to the required contributions for each year.

7. Risk Management

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$61,173 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.

9. Deficit balances

The District has a \$2,383 deficit net assets balance in the Internal Service Fund.

10. Going Concern

The board of directors of the South Clay Community School has approved dissolving the District effective June 30, 2010. The assets remaining after all liabilities have been paid will be split among the public school districts that are adjacent to the South Clay District.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,099,882	14,789	1,114,671	1,201,631	1,201,631	(86,960)
State sources	615,511	439	615,950	660,750	660,750	(44,800)
Federal sources	54,877	20,351	75,228	71,000	71,000	4,228
Total revenues	<u>1,770,270</u>	<u>35,579</u>	<u>1,805,849</u>	<u>1,933,381</u>	<u>1,933,381</u>	<u>(127,532)</u>
Expenditures/Expenses:						
Instruction	1,156,396	-	1,156,396	1,154,000	1,194,000	37,604
Support services	404,562	-	404,562	534,300	534,300	129,738
Non-instructional programs	-	42,140	42,140	40,000	40,000	(2,140)
Other expenditures	66,796	-	66,796	106,223	106,223	39,427
Total expenditures/expenses	<u>1,627,754</u>	<u>42,140</u>	<u>1,669,894</u>	<u>1,834,523</u>	<u>1,874,523</u>	<u>204,629</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	142,516	(6,561)	135,955	98,858	58,858	77,097
Other financing sources (uses) net	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	122,516	13,439	135,955	98,858	58,858	77,097
Balance beginning of year	<u>782,993</u>	<u>1,342</u>	<u>784,335</u>	<u>748,824</u>	<u>748,824</u>	<u>35,511</u>
Balance end of year	<u><u>905,509</u></u>	<u><u>14,781</u></u>	<u><u>920,290</u></u>	<u><u>847,682</u></u>	<u><u>807,682</u></u>	<u><u>112,608</u></u>

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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 Internal Service, 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 a 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. 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$40,000.

During the year ended June 30, 2009 expenditures exceeded the amount budgeted in the non-instructional programs function and the District exceeded its General Fund spending authority.

OTHER SUPPLEMENTARY INFORMATION

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	<u>Special Revenue Funds</u>		
	Student Activity Fund	Physical Plant and Equipment Levy	Total
Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cash and pooled investments	<u>1,779</u>	<u>23,797</u>	<u>25,576</u>
Liabilities & Fund Balances			
Liabilities			
Accounts payable	17	-	17
Fund balances:			
Unreserved fund balance reported in:			
Special Revenue Funds	<u>1,762</u>	<u>23,797</u>	<u>25,559</u>
Total liabilities and fund balances	<u>1,779</u>	<u>23,797</u>	<u>25,576</u>

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2009

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Student Activity Fund</u>	<u>Physical Plant and Equipment Levy</u>	
	\$	\$	\$
Revenues:			
Local sources:			
Other	6,216	2,147	8,363
Expenditures:			
Current:			
Instruction:			
Other	6,655	-	6,655
Other expenditures:			
Facilities acquisition	-	5,623	5,623
Total expenditures	6,655	5,623	12,278
Net change in fund balances	(439)	(3,476)	(3,915)
Fund balances beginning of year	2,201	27,273	29,474
Fund balances end of year	<u>1,762</u>	<u>23,797</u>	<u>25,559</u>

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Pop	1,590	6,212	6,022	1,780
T-Shirt fund raiser/field trip fund raiser	(7,324)	2	-	(7,322)
Annual	<u>7,935</u>	<u>2</u>	<u>633</u>	<u>7,304</u>
Total	<u><u>2,201</u></u>	<u><u>6,216</u></u>	<u><u>6,655</u></u>	<u><u>1,762</u></u>

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,018,008	989,373	988,400	883,367	932,642	952,717
Tuition	17,655	43,605	19,020	8,155	10,496	32,481
Other	64,219	78,626	62,354	91,014	39,895	54,197
State sources	615,511	602,072	604,911	624,060	632,473	561,772
Federal sources	54,877	48,958	73,900	55,744	57,628	64,454
Total revenues	<u>1,770,270</u>	<u>1,762,634</u>	<u>1,748,585</u>	<u>1,662,340</u>	<u>1,673,134</u>	<u>1,665,621</u>
Expenditures:						
Instruction:						
Regular	820,298	894,839	853,708	857,146	844,002	768,875
Special	244,196	270,599	220,363	161,487	205,789	276,576
Other	91,902	37,111	55,776	55,918	68,872	6,839
Support services:						
Student	54	12,695	737	1,176	7,910	10,215
Instructional staff	25,384	22,404	27,209	26,116	20,273	35,012
Administration	157,450	141,678	151,143	158,257	144,474	152,802
Operation and maintenance	149,153	147,884	132,792	134,460	104,601	149,970
Transportation	72,521	79,634	139,453	136,630	81,683	97,271
Non-instructional programs	-	-	-	-	5,203	3,964
Other expenditures:						
Facilities acquisition	5,623	50	26,508	2,922	22,481	16,102
Long-term debt:						
Principal	-	-	-	2,544	5,000	5,000
AEA flowthrough	61,173	60,224	59,058	57,304	57,339	58,152
Total expenditures	<u>1,627,754</u>	<u>1,667,118</u>	<u>1,666,747</u>	<u>1,593,960</u>	<u>1,567,627</u>	<u>1,580,778</u>

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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
South Clay Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of South Clay 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 April 29, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Clay Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of South Clay Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Clay Community School District's internal control over financial reporting.

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by South Clay 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 items 09-I-A, 09-I-B, 09-I-C, 09-I-D and 09-I-E are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Clay 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 and Responses.

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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of South Clay Community School District and other parties to whom South Clay Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 29, 2010

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings related to the Financial Statements:

Significant deficiencies:

09-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

09-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

09-I-C Signature Stamp: We noted that a stamp bearing the signatures of the Board President and Board Secretary is used to sign checks. The Board Secretary prints the checks and uses the stamp to sign the checks.

Recommendation: This practice negates the control established by requiring two signatures on the checks. The board secretary should not have access to or use a stamp with the Board President's signature.

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings related to the Financial Statements (continued):

District Response: We will review methods to limit access to the signature stamp.

Conclusion: Response accepted.

09-I-D Financial Reporting: During the audit, we identified property tax receipts from August 2008 that were not recorded in the District's financial records. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation: The District should implement procedures to prepare monthly bank reconciliations to ensure all cash transactions are identified and included in the District's financial statements. (See comment 09-I-E)

District Response: We will double check these in the future to avoid missing any cash transactions.

Conclusion: Response accepted.

09-I-E Bank Reconciliations: One of the main internal controls over the cash balances reported in the accounting records is the preparation of a monthly reconciliation of the bank statements to the cash balances in the financial records. The cash balances in the computer financial accounting records were not reconciled to the bank monthly.

Recommendation: Bank reconciliations should be prepared monthly. Any variances between the bank reconciliation and the cash balances in the financial statements should be investigated and resolved.

District Response: Monthly bank reconciliations will be prepared.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the published budget in the non-instructional programs function. Also, the District did exceed its spending authority in the General Fund.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review committee to resolve the unspent authorized budget issue.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion: Response accepted.

09-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

09-II-C Travel Expenses: 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.

09-II-D Business Transactions: We noted no transactions between the District and District officials or employees.

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

09-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

09-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

09-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

09-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

SOUTH CLAY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (continued):

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: The statewide sales and services tax may be used to purchase equipment with a unit cost exceeding \$500. We noted that expenditures from this fund included approximately \$772 for anti-virus software. This does not appear to be an allowable use of sales tax proceeds.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and should have the General Fund make a reimbursement.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.

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		-
Statewide sales and services tax revenue		133,406
Expenditures/transfers out:		
School infrastructure:		
Equipment		<u>23,555</u>
Ending balance		<u>109,851</u>

09-II-L Financial Condition: The Internal Service Fund has a \$2,383 deficit net assets balance and the Activity Fund has one account with a deficit balance at June 30, 2009.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.