

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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South Page Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Ellen Nothwehr	President	2009
Junior Neihart	Vice President	2009
Deb Wallin	Board Member	2008
Ron Peterman	Board Member	2008
Karl Kenagy	Board Member	2010
Board of Education (After September 2008 Election)		
Ellen Nothwehr	President	2009
Junior Neihart	Vice President	2009
Larry Murphy	Board Member	2011
Ron Peterman	Board Member	2011
Karl Kenagy	Board Member	2011 *
School Officials		
Joy Jones	Superintendent (Passed away January 2009)	2009
Dick Profit	Interim Superintendent (January 2009 - April 2009)	2009
Phillip Rink	Interim Superintendent (May 2009 - June 2009)	2009
Vicki King	District Secretary	2009
Ahlers & Cooney, P.C.	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  
South Page Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the South Page Community School District, College Springs, Iowa as of and for the year ended June 30, 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 Page Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2010 on our consideration of South Page Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Page Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 15, 2010

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

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South Page Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$2,443,650 in fiscal 2008 to \$2,501,901 in fiscal 2009, while General Fund expenditures decreased from \$2,599,899 in fiscal 2008 to \$2,557,346 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$120,588 in fiscal 2008 to \$65,143 in fiscal 2009, a 45.98% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local and federal sources in fiscal 2009. The decrease in expenditures was due primarily to a decrease in expenditures in the instructional functions.
- As of the year ended June 30, 2009, the District's solvency ratio was 2.44% for as compared to 4.78% for the year ended June 30, 2008.

### **USING THIS ANNUAL REPORT**

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

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

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

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

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

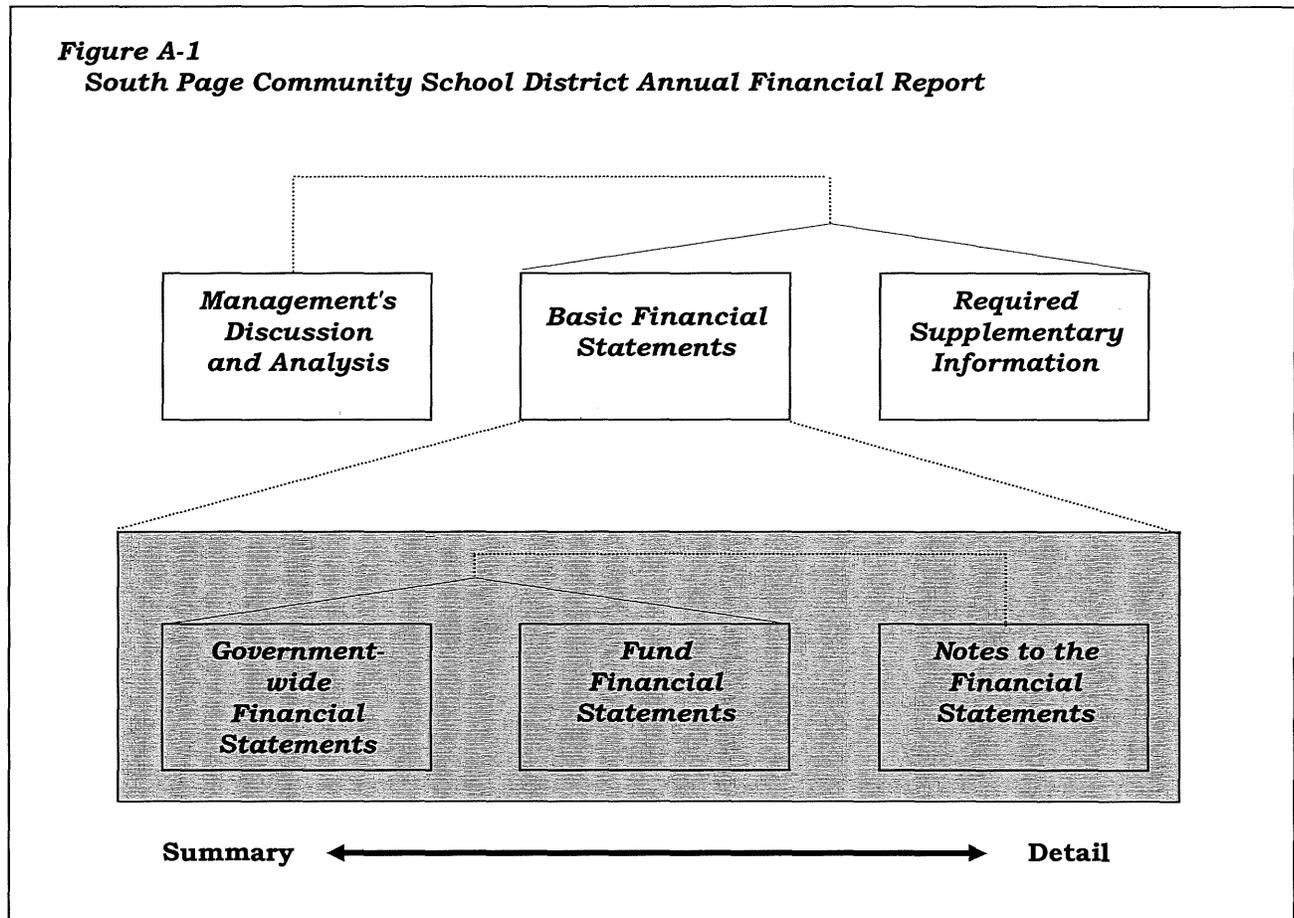


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <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.

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is a trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s total net assets at June 30, 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	\$ 2,800,507	2,576,050	3,701	3,753	2,804,208	2,579,803	8.70%
Capital assets	1,378,497	1,482,808	7,129	7,972	1,385,626	1,490,780	-7.05%
Total assets	4,179,004	4,058,858	10,830	11,725	4,189,834	4,070,583	2.93%
Long-term obligations	85,000	125,000	0	0	85,000	125,000	-32.00%
Other liabilities	2,312,083	2,126,251	26,441	16,824	2,338,524	2,143,075	9.12%
Total liabilities	2,397,083	2,251,251	26,441	16,824	2,423,524	2,268,075	6.85%
Net assets:							
Invested in capital assets, net of related debt	1,293,497	1,357,808	7,129	7,972	1,300,626	1,365,780	-4.77%
Restricted	390,129	296,195	0	0	390,129	296,195	31.71%
Unrestricted	98,295	153,604	(22,740)	(13,071)	75,555	140,533	-46.24%
Total net assets	\$ 1,781,921	1,807,607	(15,611)	(5,099)	1,766,310	1,802,508	-2.01%

The District’s combined net assets decreased by 2.01%, or \$36,198, from the prior year. The largest portion of the District’s net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased \$93,934, or 31.71% over the prior year. The increase in restricted fixed assets for the year ended June 30, 2009 can be attributable to the increase in fund balance for the Management Levy Fund and the Physical Plant and Equipment Levy Fund.

Unrestricted net assets - are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$64,978, or 46.24%. This decrease is mainly attributable to the decrease in fund balance in 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		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 156,285	142,839	27,164	28,543	183,449	171,382	7.04%
Operating grants and contributions and restricted interest	482,936	414,693	51,689	50,573	534,625	465,266	14.91%
General revenues:							
Property tax	1,036,760	892,366	0	0	1,036,760	892,366	16.18%
Income surtax	40,894	39,930	0	0	40,894	39,930	2.41%
Local option sales and service tax	137,242	143,446	0	0	137,242	143,446	-4.32%
Unrestricted state grants	953,366	1,081,389	0	0	953,366	1,081,389	-11.84%
Other	31,507	37,289	0	130	31,507	37,419	-15.80%
Total revenues	2,838,990	2,751,952	78,853	79,246	2,917,843	2,831,198	3.06%
Program expenses:							
Governmental activities:							
Instructional	1,771,391	1,823,939	0	0	1,771,391	1,823,939	-2.88%
Support services	862,419	840,086	294	0	862,713	840,086	2.69%
Non-instructional programs	0	0	89,071	89,585	89,071	89,585	-0.57%
Other expenses	230,866	215,156	0	0	230,866	215,156	7.30%
Total expenses	2,864,676	2,879,181	89,365	89,585	2,954,041	2,968,766	-0.50%
Change in net assets	(25,686)	(127,229)	(10,512)	(10,339)	(36,198)	(137,568)	73.69%
Net assets beginning of year	1,807,607	1,934,836	(5,099)	5,240	1,802,508	1,940,076	-7.09%
Net assets end of year	\$ 1,781,921	1,807,607	(15,611)	(5,099)	1,766,310	1,802,508	-2.01%

In fiscal 2009, property tax, income surtax and unrestricted state grants account for 71.54% of the revenue from governmental activities while charges for services and operating grants and contributions accounted for all of the revenues from the business type activities.

The District's total revenues were approximately \$2.92 million of which \$2.84 million was for governmental activities and slightly more than \$0.78 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.06% in revenues and a 0.50% decrease in expenses. The decrease in expenses was related a decrease in instructional function costs during the year.

### Governmental Activities

Revenues for governmental activities were \$2,838,990 and expenses were \$2,864,676.

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 as compared to the year ended June 30, 2008.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	June 30,		Change	June 30,		Change
	2009	2008	2008-09	2009	2008	2008-09
Instruction	\$ 1,771,391	1,823,939	-2.88%	1,231,649	1,365,514	-9.80%
Support services	862,419	840,086	2.66%	860,511	835,829	2.95%
Other expenses	230,866	215,156	7.30%	133,295	120,306	10.80%
Totals	<u>\$ 2,864,676</u>	<u>2,879,181</u>	<u>-0.50%</u>	<u>2,225,455</u>	<u>2,321,649</u>	<u>-4.14%</u>

- The cost financed by users of the District's programs was \$156,285.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$482,936.
- The net cost of governmental activities was financed with \$1,036,760 in property tax, \$40,894 in income surtax, \$137,242 in local option sales and services tax, \$953,366 in unrestricted state grants, \$17,297 in interest income and other general revenue of \$14,210.

### Business type Activities

Revenues of the District's business type activities were \$78,853 and expenses were \$89,365. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$451,106, above last year's ending fund balances of a \$413,034. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to increases in the fund balances of the Management Levy Fund and the Physical Plant and Equipment Levy Fund.

### Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in revenues from local and federal sources resulted in an increase in revenues. However, the increase in revenues was not enough to offset General Fund expenditures during the year. As a result, the District was required to use carryover General Fund balance to meet financial obligations during the year.
- The District's General Fund balance decreased from \$120,588 to \$65,143, due in part to the increase in revenues not being enough to cover expenditures made by the District during the year.

### Proprietary Fund Highlights

The Proprietary Funds net assets decreased from a deficit balance of \$5,099 at June 30, 2008 to a deficit balance of \$15,611 at June 30, 2009, representing a decrease of 206.16%. For fiscal 2009, the District received less monies from charges for services as compared to the previous year.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$8,106 less than budgeted revenues, a variance of 0.28%. The most significant variance resulted from the District receiving less 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 \$1,385,626, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 7.05% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$105,154.

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

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$83,196 at June 30, 2009, compared to \$124,713 reported at June 30, 2008.

Figure A-6  
Capital Assets, Net of Depreciation

	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
Land	\$ 52,000	52,000	0	0	52,000	52,000	0.00%
Buildings	1,075,428	1,120,481	0	0	1,075,428	1,120,481	-4.02%
Land improvements	175,002	194,126	0	0	175,002	194,126	-9.85%
Machinery and equipment	76,067	116,201	7,129	7,972	83,196	124,173	-33.00%
Total	\$ 1,378,497	1,482,808	7,129	7,972	1,385,626	1,490,780	-7.05%

### Long-Term Debt

At June 30, 2009, the District had \$85,000 in revenue bond indebtedness outstanding. This represents a decrease of 32.00% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District June 30, 2009	Total Change June 30, 2008-09
Revenue bonds	\$ 85,000	125,000 -32.00%

**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:

- The State's 10% budget cut will be a concern for the District, shifting the majority of funding on property taxes.
- October 2008 certified enrollment decreased by 24.9 students.
- The District will be working with the local mayors to discuss the possibilities of economic development for the area.
- The District is looking into alternative energy sources.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jamie Lindsay, Board Secretary, South Page Community School District's District Office, Box 98, College Springs, Iowa, 51637.

BASIC FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	\$ 1,170,186	0	1,170,186
Other	455,123	0	455,123
Receivables:			
Property tax:			
Delinquent	22,121	0	22,121
Succeeding year	1,026,084	0	1,026,084
Income surtax	37,593	0	37,593
Accounts	38,228	0	38,228
Accrued ISCAP interest	3,426	0	3,426
Due from other governments	47,746	0	47,746
Inventories	0	3,701	3,701
Capital assets, net of accumulated depreciation	1,378,497	7,129	1,385,626
<b>Total Assets</b>	<b>4,179,004</b>	<b>10,830</b>	<b>4,189,834</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	0	25,570	25,570
Accounts payable	93,963	0	93,963
Salaries and benefits payable	2,974	0	2,974
ISCAP warrants payable	1,153,000	0	1,153,000
ISCAP accrued interest payable	4,942	0	4,942
ISCAP unamortized premium	19,321	0	19,321
Accrued interest payable	275	0	275
Deferred revenue:			
Succeeding year property tax	1,026,084	0	1,026,084
Other	11,524	0	11,524
Unearned revenue	0	871	871
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	40,000	0	40,000
Portion due after one year:			
Revenue bonds payable	45,000	0	45,000
<b>Total Liabilities</b>	<b>2,397,083</b>	<b>26,441</b>	<b>2,423,524</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,293,497	7,129	1,300,626
Restricted for:			
Home school assistance program	502	0	502
Model core curriculum	1,645	0	1,645
Market factor incentives	2,019	0	2,019
Management levy	64,502	0	64,502
Physical plant and equipment levy	39,805	0	39,805
Capital projects	186,830	0	186,830
Debt service	54,276	0	54,276
Other special revenue purposes	40,550	0	40,550
Unrestricted	98,295	(22,740)	75,555
<b>Total Net Assets</b>	<b>\$ 1,781,921</b>	<b>(15,611)</b>	<b>1,766,310</b>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Expenses	Operating Grants, Contributions and Restricted Interest	Services	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,126,463	61,480	370,636	(694,347)	0	(694,347)
Special	359,356	0	12,821	(346,535)	0	(346,535)
Other	285,572	94,805	0	(190,767)	0	(190,767)
	<u>1,771,391</u>	<u>156,285</u>	<u>383,457</u>	<u>(1,231,649)</u>	<u>0</u>	<u>(1,231,649)</u>
Support services:						
Student	44,213	0	0	(44,213)	0	(44,213)
Instructional staff	56,697	0	0	(56,697)	0	(56,697)
Administration	331,525	0	0	(331,525)	0	(331,525)
Operation and maintenance of plant	291,056	0	0	(291,056)	0	(291,056)
Transportation	138,928	0	1,908	(137,020)	0	(137,020)
	<u>862,419</u>	<u>0</u>	<u>1,908</u>	<u>(860,511)</u>	<u>0</u>	<u>(860,511)</u>
Other expenditures:						
Facilities acquisitions	64,835	0	0	(64,835)	0	(64,835)
Long-term debt interest	4,283	0	0	(4,283)	0	(4,283)
AEA flowthrough	97,571	0	97,571	0	0	0
Depreciation(unallocated)*	64,177	0	0	(64,177)	0	(64,177)
	<u>230,866</u>	<u>0</u>	<u>97,571</u>	<u>(133,295)</u>	<u>0</u>	<u>(133,295)</u>
Total governmental activities	2,864,676	156,285	482,936	(2,225,455)	0	(2,225,455)
business type activities:						
Support services:						
Operation and maintenance of plant	294	0	0	0	(294)	(294)
Non-instructional programs:						
Nutrition services	89,071	27,164	51,689	0	(10,218)	(10,218)
Total business type activities	<u>89,365</u>	<u>27,164</u>	<u>51,689</u>	<u>0</u>	<u>(10,512)</u>	<u>(10,512)</u>
Total	\$ 2,954,041	183,449	534,625	(2,225,455)	(10,512)	(2,235,967)
<b>General Revenues:</b>						
Local tax for:						
General purposes				\$ 1,014,776	0	1,014,776
Capital outlay				21,984	0	21,984
Statewide sales and services tax				137,242	0	137,242
Income surtax				40,894	0	40,894
Unrestricted state grants				953,366	0	953,366
Unrestricted investment earnings				17,297	0	17,297
Other				14,210	0	14,210
Total general revenues				<u>2,199,769</u>	<u>0</u>	<u>2,199,769</u>
Changes in net assets				(25,686)	(10,512)	(36,198)
Net assets beginning of year				1,807,607	(5,099)	1,802,508
Net assets end of year				<u>\$ 1,781,921</u>	<u>(15,611)</u>	<u>1,766,310</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	\$ 1,170,186	0	1,170,186
Other	92,490	362,633	455,123
Receivables:			
Property tax:			
Delinquent	19,947	2,174	22,121
Succeeding year	893,157	132,927	1,026,084
Income surtax	37,593	0	37,593
Accounts	38,228	0	38,228
Accrued ISCAP interest	3,426	0	3,426
Due from other governments	17,399	30,347	47,746
<b>Total Assets</b>	<b>\$ 2,272,426</b>	<b>528,081</b>	<b>2,800,507</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 84,772	9,191	93,963
Salaries and benefits payable	2,974	0	2,974
ISCAP warrants payable	1,153,000	0	1,153,000
ISCAP accrued interest payable	4,942	0	4,942
ISCAP unamortized premium	19,321	0	19,321
Deferred revenue:			
Succeeding year property tax	893,157	132,927	1,026,084
Income surtax	37,593	0	37,593
Other	11,524	0	11,524
Total liabilities	2,207,283	142,118	2,349,401
Fund balances:			
Reserved for:			
Debt service	0	54,276	54,276
Home school assistance program	502	0	502
Model core curriculum	1,645	0	1,645
Market factor incentives	2,019	0	2,019
Unreserved	60,977	331,687	392,664
Total fund balances	65,143	385,963	451,106
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,272,426</b>	<b>528,081</b>	<b>2,800,507</b>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

<b>Total fund balances of governmental funds (page 15)</b>	\$	451,106
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,378,497
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		37,593
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.		(275)
Long-term liabilities, including revenue bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(85,000)</u>
<b>Net assets of governmental activities (page 13)</b>	<b>\$</b>	<b><u><u>1,781,921</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 975,331	239,129	1,214,460
Tuition	57,010	0	57,010
Other	52,597	97,524	150,121
State sources	1,269,665	0	1,269,665
Federal sources	147,298	0	147,298
Total revenues	<u>2,501,901</u>	<u>336,653</u>	<u>2,838,554</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	1,121,478	0	1,121,478
Special	359,356	0	359,356
Other	198,287	87,285	285,572
	<u>1,679,121</u>	<u>87,285</u>	<u>1,766,406</u>
Support services:			
Student	44,213	0	44,213
Instructional staff	39,499	0	39,499
Administration	331,525	0	331,525
Operation and maintenance of plant	240,945	45,477	286,422
Transportation	124,472	1,139	125,611
	<u>780,654</u>	<u>46,616</u>	<u>827,270</u>
Other expenditures:			
Facilities acquisitions	0	64,835	64,835
Long-term debt:			
Principal	0	40,000	40,000
Interest	0	4,400	4,400
AEA flowthrough	97,571	0	97,571
	<u>97,571</u>	<u>109,235</u>	<u>206,806</u>
Total expenditures	<u>2,557,346</u>	<u>243,136</u>	<u>2,800,482</u>
Excess (deficiency) of revenues over (under) expenditures	(55,445)	93,517	38,072
Other financing sources (uses):			
Transfers in	0	41,818	41,818
Transfers out	0	(41,818)	(41,818)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	(55,445)	93,517	38,072
Fund balance beginning of year	120,588	292,446	413,034
Fund balance end of year	<u>\$ 65,143</u>	<u>385,963</u>	<u>451,106</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

Net change in fund balances - total governmental funds (page 17) \$ 38,072

*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 allocated over their estimated useful lives as depreciation expense in the Statement of Activities.

The amount of depreciation expense in the year is as follows:

Depreciation expense	(104,311)
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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

40,000

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.

117

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

436

**Changes in net assets of governmental activities (page 14)**

**\$ (25,686)**

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

	School Nutrition
<b>Assets</b>	
Inventories	\$ 3,701
Capital assets, net of accumulated depreciation	7,129
<b>Total Assets</b>	10,830
 <b>Liabilities</b>	
Excess of warrants issued over bank balance	25,570
Unearned revenue	871
<b>Total Liabilities</b>	26,441
 <b>Net Assets</b>	
Invested in capital assets	7,129
Unrestricted	(22,740)
<b>Total Net Assets</b>	\$ (15,611)

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 27,164
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant	
Services	294
Non-instructional programs:	
Food service operations:	
Salaries	36,508
Benefits	5,046
Services	35
Supplies	46,564
Other	75
Depreciation	843
TOTAL OPERATING EXPENSES	89,365
OPERATING LOSS	(62,201)
NON-OPERATING REVENUES:	
State sources	963
Federal sources	50,726
TOTAL NON-OPERATING REVENUES	51,689
Change in net assets	(10,512)
Net assets beginning of year	(5,099)
Net assets end of year	\$ (15,611)

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 26,784
Cash received from miscellaneous	124
Cash payments to employees for services	(41,554)
Cash payments to suppliers for goods or services	(41,254)
Net cash used in operating activities	(55,900)
Cash flows from non-capital financing activities:	
State grants received	963
Federal grants received	45,064
Net cash provided by non-capital financing activities	46,027
Net decrease in cash and cash equivalents	(9,873)
Cash and cash equivalents at beginning of year	(15,697)
Cash and cash equivalents at end of year	\$ (25,570)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (62,201)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	5,662
Depreciation	843
Decrease in inventories	52
Decrease in unearned revenue	(256)
Net cash used in operating activities	\$ (55,900)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ (25,570)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$5,662.

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2009

	Private Purpose Trust
	Scholarship
<b>Assets</b>	
Cash and pooled investments	\$ 2,510
<b>Liabilities</b>	
	0
<b>Net Assets</b>	
Restricted for scholarships	2,000
Unrestricted	510
<b>Total Net Assets</b>	<b>\$ 2,510</b>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 25
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	49
Change in net assets	(24)
Net assets beginning of year	2,534
Net assets end of year	\$ 2,510

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

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

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

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

**A. Reporting Entity**

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Page County Assessors' Conference Board.

**B. Basis of Presentation**

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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

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

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

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

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 398,896</u>

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

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

**(3) Transfers**

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

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

The transfer from the Capital Projects Fund to the Debt Service Fund was needed for principal and interest on the District's revenue bonded debt dated February 1, 2003.

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

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Accrued		Accrued	
			Investments	Interest Receivable	Warrants Payable	Interest Payable
2008-09B	1/21/09	1/21/10	\$ 359,551	3,326	355,000	4,669
2009-10A	6/25/09	6/23/10	810,635	100	798,000	273
Total			<u>\$ 1,170,186</u>	<u>3,426</u>	<u>1,153,000</u>	<u>4,942</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 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 borrowing 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	\$ 52,000	0	0	52,000
Total capital assets not being depreciated	52,000	0	0	52,000
Capital assets being depreciated:				
Buildings	2,491,848	0	0	2,491,848
Land improvements	382,477	0	0	382,477
Machinery and equipment	1,105,608	0	0	1,105,608
Total capital assets being depreciated	3,979,933	0	0	3,979,933
Less accumulated depreciation for:				
Buildings	1,371,367	45,053	0	1,416,420
Land improvements	188,351	19,124	0	207,475
Machinery and equipment	989,407	40,134	0	1,029,541
Total accumulated depreciation	2,549,125	104,311	0	2,653,436
Total capital assets being depreciated, net	1,430,808	(104,311)	0	1,326,497
Governmental activities capital assets, net	\$ 1,482,808	(104,311)	0	1,378,497

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 77,582	0	0	77,582
Less accumulated depreciation	69,610	843	0	70,453
Business type activities capital assets, net	\$ 7,972	843	0	7,129

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				\$ 4,985
Support services:				
Instructional support				17,198
Operation and maintenance of plant				4,634
Transportation				13,317
Unallocated depreciation				64,177
Total governmental activities depreciation expense				\$ 104,311
Business type activities:				
Food service operations				\$ 843

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 125,000	0	40,000	85,000	40,000

Revenue Bonds

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

Year Ending June 30,	Bond Issue of February 1, 2003			
	Interest Rates	Principal	Interest	Total
2010	3.750 %	\$ 40,000	2,550	42,550
2011	4.000	45,000	900	45,900
Total		\$ 85,000	3,450	88,450

The District has pledged future local option sales and services tax revenues to repay the \$290,000, issued on February 1, 2003. The local option sales and services tax revenue bonds were issued for the purpose of financing capital facility construction improvements and are payable through 2011. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to paid on the bonds is \$88,450. For the current year, the principal and interest paid on the bonds was \$44,000 and the local option sales and services tax revenues were \$137,242.

**(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 covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$94,431, \$85,513, and \$79,974, respectively, equal to the required contributions for each year.

**(8) Risk Management**

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

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

District contributions to ISEBA for the year ended June 30, 2009 was \$209,071.

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

**(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 \$97,571 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) Deficit Net Assets**

The Enterprise, Nutrition Fund had a deficit unrestricted fund balance of \$22,740 at June 30, 2009.

**(11) 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

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON 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 Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 1,421,591	27,164	1,448,755	1,410,327	1,410,327	38,428
State sources	1,269,665	963	1,270,628	1,271,659	1,271,659	(1,031)
Federal sources	147,298	50,726	198,024	243,527	243,527	(45,503)
Total revenues	<u>2,838,554</u>	<u>78,853</u>	<u>2,917,407</u>	<u>2,925,513</u>	<u>2,925,513</u>	<u>(8,106)</u>
<b>Expenditures/Expenses:</b>						
Instruction	1,766,406	0	1,766,406	1,966,928	1,966,928	200,522
Support services	827,270	294	827,564	1,051,873	1,051,873	224,309
Non-instructional programs	0	89,071	89,071	92,870	92,870	3,799
Other expenditures	206,806	0	206,806	376,942	376,942	170,136
Total expenditures/expenses	<u>2,800,482</u>	<u>89,365</u>	<u>2,889,847</u>	<u>3,488,613</u>	<u>3,488,613</u>	<u>598,766</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	38,072	(10,512)	27,560	(563,100)	(563,100)	590,660
Balance beginning of year	<u>413,034</u>	<u>(5,099)</u>	<u>407,935</u>	<u>563,100</u>	<u>563,100</u>	<u>(155,165)</u>
Balance end of year	<u>\$ 451,106</u>	<u>(15,611)</u>	<u>435,495</u>	<u>0</u>	<u>0</u>	<u>435,495</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH PAGE 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

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

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

OTHER SUPPLEMENTARY INFORMATION

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Capital Projects	Debt Service	
<b>Assets</b>							
Cash and pooled investments	\$ 62,797	40,550	43,698	147,045	161,312	54,276	362,633
Receivables:							
Property tax:							
Current year delinquent	1,705	0	469	2,174	0	0	2,174
Succeeding year	110,000	0	22,927	132,927	0	0	132,927
Due from other governments	0	0	0	0	30,347	0	30,347
<b>Total Assets</b>	<b>\$ 174,502</b>	<b>40,550</b>	<b>67,094</b>	<b>282,146</b>	<b>191,659</b>	<b>54,276</b>	<b>528,081</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 0	0	4,362	4,362	4,829	0	9,191
Deferred revenue:							
Succeeding year property tax	110,000	0	22,927	132,927	0	0	132,927
Total liabilities	110,000	0	27,289	137,289	4,829	0	142,118
Fund balances:							
Reserved for:							
Debt service	0	0	0	0	0	54,276	54,276
Unreserved	64,502	40,550	39,805	144,857	186,830	0	331,687
Total fund balances	64,502	40,550	39,805	144,857	186,830	54,276	385,963
<b>Liabilities and Fund Balances</b>	<b>\$ 174,502</b>	<b>40,550</b>	<b>67,094</b>	<b>282,146</b>	<b>191,659</b>	<b>54,276</b>	<b>528,081</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Capital Projects	Debt Service	
REVENUES:							
Local sources:							
Local tax	\$ 79,903	0	21,984	101,887	137,242	0	239,129
Other	174	95,192	320	95,686	1,230	608	97,524
TOTAL REVENUES	80,077	95,192	22,304	197,573	138,472	608	336,653
EXPENDITURES:							
Current:							
Instruction:							
Other	0	87,285	0	87,285	0	0	87,285
Support services:							
Operation and maintenance of plant	45,477	0	0	45,477	0	0	45,477
Transportation	0	0	1,139	1,139	0	0	1,139
Other expenditures:							
Facilities acquisitions	0	0	4,904	4,904	59,931	0	64,835
Long-term debt:							
Principal	0	0	0	0	0	40,000	40,000
Interest	0	0	0	0	0	4,400	4,400
TOTAL EXPENDITURES	45,477	87,285	6,043	138,805	59,931	44,400	243,136
Excess(deficiency) of revenues over(under) expenditures	34,600	7,907	16,261	58,768	78,541	(43,792)	93,517
Other financing sources(uses):							
Transfer in	0	0	0	0	0	41,818	41,818
Transfer out	0	0	0	0	(41,818)	0	(41,818)
Total other financing sources(uses)	0	0	0	0	(41,818)	41,818	0
Net change in fund balances	34,600	7,907	16,261	58,768	36,723	(1,974)	93,517
Fund balance beginning of year	29,902	32,643	23,544	86,089	150,107	56,250	292,446
Fund balance end of year	\$ 64,502	40,550	39,805	144,857	186,830	54,276	385,963

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,210	549	617	2,142
Vocal	653	100	499	254
Instrumental	(556)	0	0	(556)
Football	22	0	0	22
Athletics	3,113	18,914	16,261	5,766
Weightlifting Club	1,582	987	1,327	1,242
Girls Softball Club	318	0	0	318
Elementary Carnival	129	10,653	9,867	915
Class of 2007	(18)	0	0	(18)
Class of 2008	805	0	187	618
Class of 2009	4,121	872	4,161	832
Class of 2010	747	6,835	5,140	2,442
Class of 2011	196	130	0	326
Class of 2012	259	150	0	409
Class of 2013	172	0	50	122
Class of 2014	0	95	0	95
Class of 2015	0	40	0	40
Class of 2016	0	90	0	90
Yearbook	(1,955)	4,913	1,476	1,482
Corner Conference	916	0	100	816
National Honor Society	2,784	1,424	1,667	2,541
Concession Stand	69	8,100	7,687	482
Cheerleaders	956	6,881	7,058	779
Drill Team	10	953	706	257
Student Council	(95)	1,024	880	49
FCCLA	185	0	0	185
BPA	958	3,145	2,781	1,322
FFA	5,517	14,498	11,463	8,552
MS Student Council	845	3,431	6,059	(1,783)
Spanish Club	329	329	329	329
Trips and Activities	150	0	150	0
Library	1,633	2,059	1,955	1,737
Booster Club	6,051	8,634	6,666	8,019
Gate Change	0	0	200	(200)
Activity interest	632	386	(1)	1,019
Pop Machine	(95)	0	0	(95)
<b>Total</b>	<b>\$ 32,643</b>	<b>95,192</b>	<b>87,285</b>	<b>40,550</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 1,214,460	1,073,491	1,122,128	1,053,799	1,167,875	1,159,197
Tuition	57,010	56,415	66,354	65,691	65,477	51,912
Other	150,121	124,501	164,487	171,058	139,346	166,910
Intermediate sources	0	0	85,000	3,797	0	0
State sources	1,269,665	1,348,724	1,198,545	1,191,256	1,253,081	1,302,959
Federal sources	147,298	146,570	183,652	137,597	129,141	489,953
Total	<u>\$ 2,838,554</u>	<u>2,749,701</u>	<u>2,820,166</u>	<u>2,623,198</u>	<u>2,754,920</u>	<u>3,170,931</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 1,121,478	1,201,674	1,067,806	1,092,910	1,047,608	1,015,036
Special	359,356	390,752	475,750	358,508	319,517	325,089
Other	285,572	247,985	190,477	322,403	330,026	282,762
Support services:						
Student	44,213	16,800	7,716	3,615	4,178	21,669
Instructional staff	39,499	89,522	136,776	69,140	52,201	21,005
Administration	331,525	306,779	410,434	334,274	318,601	348,487
Operation and maintenance						
of plant	286,422	270,375	267,555	244,677	257,790	213,837
Transportation	125,611	114,221	138,947	111,292	156,367	84,470
Other expenditures:						
Facilities acquisitions	64,835	91,740	76,661	165,545	161,259	534,691
Long-term debt:						
Principal	40,000	35,000	35,000	35,000	30,000	30,000
Interest	4,400	5,660	6,719	7,579	9,393	10,598
AEA flow-through	97,571	94,850	91,837	90,274	92,612	94,165
Total	<u>\$ 2,800,482</u>	<u>2,865,358</u>	<u>2,905,678</u>	<u>2,835,217</u>	<u>2,779,552</u>	<u>2,981,809</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

**Certified Public Accountants**

(a professional corporation)

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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 the  
South Page Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Page Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 15, 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 Page Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of South Page Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Page Community School District's internal control over financial reporting.

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

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

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

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

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Page Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit South Page Community School District's responses and, accordingly, we express no opinion on them.

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 15, 2010

SOUTH PAGE 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 reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

I-B-09 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District records required numerous end-of-year adjustments. There were also no adjustments made for the changes in inventories, changes in ISCAP, capital assets, or long-term debt.

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

Response - The District has employed a new person in the position of Business Manager/Board Secretary. Professional development and networking with other Business Managers/Board Secretaries is being provided.

Conclusion - Response accepted.

I-C-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 District has employed a new person in the position of Business Manager/Board Secretary. With this change, the District anticipates that this issue will be resolved.

Conclusion - Response accepted.

SOUTH PAGE 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 expenditures for the year ended June 30, 2009 did not exceed the certified amounts in the functional areas.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-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 detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Karl Kenagy, Board Member Owns Karl's Automotive Service	Services	\$8,811

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

Recommendation - The Code of Iowa states that the District should without bids, limit the transactions with Board Members to no more than \$2,500. Therefore, the District needs to bid out services performed by its Board Member. Otherwise, the District should consult legal counsel on this matter.

Response - We will consult legal counsel.

Conclusion - Response accepted.

- 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.
- II-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on Line 1 was understated by one student.

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

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

- 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 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		137,242
Expenditures/Transfers out:		
School infrastructure:		
Buildings	\$	59,931
Debt service for school infrastructure:		
Revenue debt	41,818	101,749
Ending Balance	\$	<u>35,493</u>

- II-L-09 Financial Condition - We noted during our audit that the Student Activity Fund included five accounts with negative balances in the amount of \$2,652. We also noted that the Proprietary Fund, School Nutrition Fund had deficit unrestricted net assets of \$22,740 at June 30, 2009.

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

Response - The Business Manager has reallocated funds in the Activity Fund to eliminate the negative balances. The District has increased ala carte offerings and reduced nutrition staff by 1.0 FTE in an effort to eliminate the deficit in the Nutrition Fund.

Conclusion - Response accepted.

- II-M-09 Signing of Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. According to Chapter 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 to comply with Chapter 291.1 of the Code of Iowa.

Response - The Board President will sign all athletic contracts.

Conclusion - Response accepted.

II-N-09 Checks Outstanding - We noted during our audit that the District had checks included in the Student Activity and General Fund bank reconciliations which have been outstanding for over a year.

Recommendation - 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>. The District should research the outstanding checks to determine if they should be reissued, voided, or submitted to the State Treasurer as unclaimed property.

Response - The District is researching the checks to determine if they should be reissued, voided or submitted to the state treasurer as unclaimed property. Once the determination is made, the checks will be handled appropriately.

Conclusion - Response accepted.

I-O-09 Student Activity Fund - During our audit issues arose about the properness of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8).

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

There is a Class of 2007 and Class of 2008 account in the Student Activity Fund. Past graduating class accounts should be declared inactive and the account balance allocated to the other activity fund accounts.

It was noted that checks were being written to "Cash" instead of the custodian/sponsor. Checks made out to "Cash" are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to cash and the custodian/sponsor of the event and the District.

There is a library and book fair account. These accounts appear to be more instructional in nature and therefore should be transferred to the General Fund where the receipts and expenses would more appropriately be handled.

Response - The District is aware of these issues in the Activity Fund and with the change in Business Manager/Board Secretary measures are being taken to comply with the recommendation.

Conclusion - Response accepted.