

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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South Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Jackie Dvorak	President	2008
Ron Hala	Vice President	2009
Michelle Yuska	Board Member	2010
Donald Wacha	Board Member	2008
Andy Bagnall	Board Member	2010

Board of Education (After September 2008 Election)		
Michelle Yuska	President	2009 *
Ron Hala	Vice President	2009
Jackie Dvorak	Board Member	2011
Mark McFate	Board Member	2011
Andy Bagnall	Board Member	2011 *
Anne Michael	Board Member (Resigned July 2008) (Elected to fill vacancy)	2011

School Officials		
Kerri Nelson	Superintendent	2009
Kim Gardner	District Secretary	2009
Joanna Hofer	Director of Finance and Operations	2009
Peter Pashler	Attorney	2009
Joel Greer	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.

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the South Tama County Community School District, Tama, Iowa as of and for the year ended June 30, 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 Tama County 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 March 18, 2010 on our consideration of South Tama County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 36 through 38 are not required parts of the

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Tama County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Tama County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$14,054,743 in fiscal 2008 to \$14,855,543 in fiscal 2009, while General Fund expenditures increased from \$14,260,021 in fiscal 2008 to \$15,044,643 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$1,780,843 in fiscal 2008 to a balance of \$1,591,743 in fiscal 2009, a 10.62% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state and federal source revenues during fiscal 2009. The increase in expenditures was due primarily to increases in negotiated salaries and benefits, the purchase of two buses, and a re-roof project at the high school.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 11.3% for fiscal year 2008 to 8.9% for fiscal year 2009. Although the District's solvency ratio decreased, it is still in the range of what the State School Budget Review Committee recommends of a solvency ratio between 5% and 10%.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

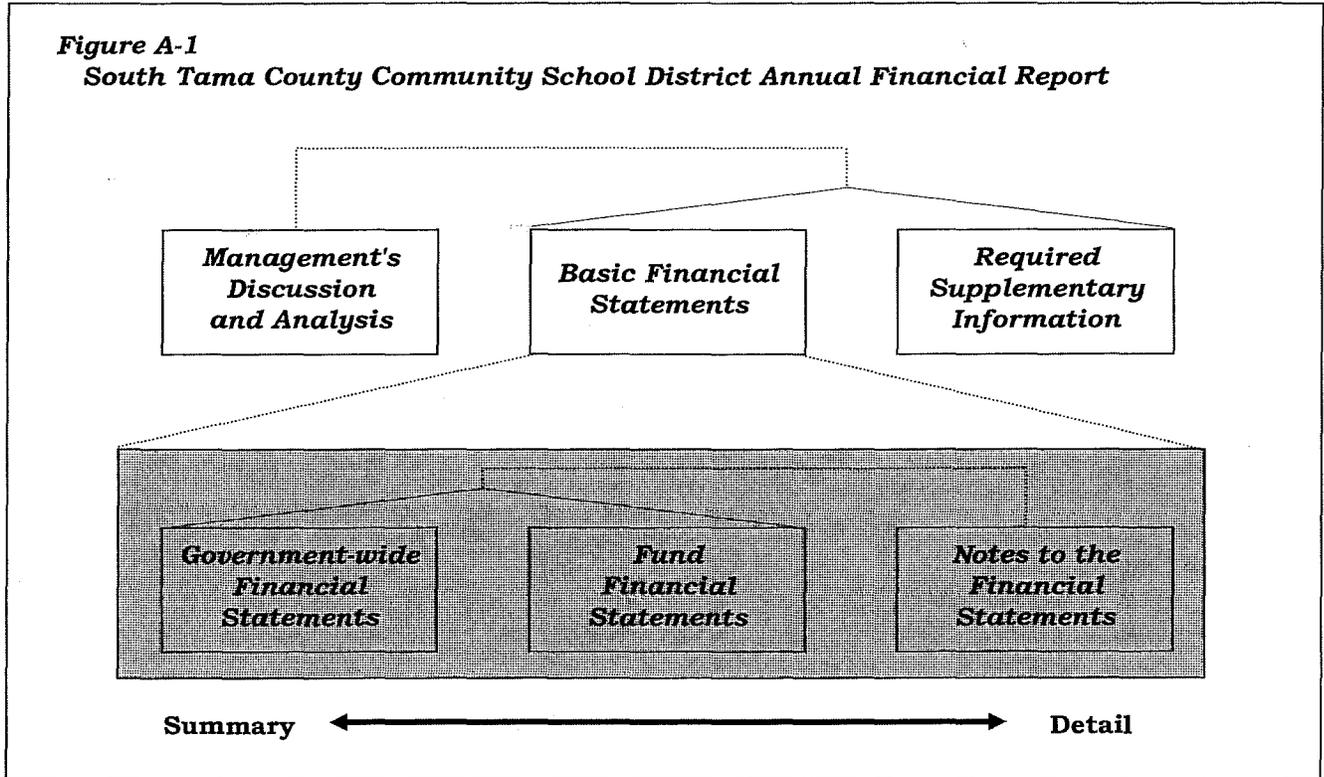


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

Agency Fund - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 9,696,807	9,570,950	69,388	39,412	9,766,195	9,610,362	1.62%
Capital assets	11,778,698	12,254,333	79,317	89,347	11,858,015	12,343,680	-3.93%
Total assets	21,475,505	21,825,283	148,705	128,759	21,624,210	21,954,042	-1.50%
Long-term obligations	8,024,756	8,424,364	704	0	8,025,460	8,424,364	-4.74%
Other liabilities	5,653,573	5,409,825	46,671	40,633	5,700,244	5,450,458	4.58%
Total liabilities	13,678,329	13,834,189	47,375	40,633	13,725,704	13,874,822	-1.07%
Net assets:							
Invested in capital assets, net of related debt	4,128,698	4,545,102	79,317	89,347	4,208,015	4,634,449	-9.20%
Restricted	2,453,945	2,262,981	0	0	2,453,945	2,262,981	8.44%
Unrestricted	1,214,533	1,183,011	22,013	(1,221)	1,236,546	1,181,790	4.63%
Total net assets	\$ 7,797,176	7,991,094	101,330	88,126	7,898,506	8,079,220	-2.24%

The District's combined net assets decreased by 2.24%, or \$180,714, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$190,964, or 8.44% over the prior year. The District's increase in restricted net assets can be attributed to the increase in fund balance for the Debt Service Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$54,756, or 4.63%.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 610,796	603,289	306,229	296,179	917,025	899,468	1.95%
Operating grants and contributions and restricted interest	3,335,734	2,670,053	411,282	371,345	3,747,016	3,041,398	23.20%
Capital grants and contributions and restricted interest	8,880	3,000	0	0	8,880	3,000	196.00%
General revenues:							
Property tax	3,707,201	3,514,598	0	0	3,707,201	3,514,598	5.48%
Income surtax	336,708	302,916	0	0	336,708	302,916	11.16%
Statewide sales and service tax	942,491	941,685	0	0	942,491	941,685	0.09%
Unrestricted state grants	7,690,584	7,720,548	0	0	7,690,584	7,720,548	-0.39%
Other	279,636	483,298	4,927	2,158	284,563	485,456	-41.38%
Transfers	(66,050)	0	66,050	0	0	0	0.00%
Total revenues & transfers	16,845,980	16,239,387	788,488	669,682	17,634,468	16,909,069	4.29%
Program expenses:							
Governmental activities:							
Instruction	10,867,217	10,219,823	0	0	10,867,217	10,219,823	6.33%
Support services	4,646,501	4,284,675	0	0	4,646,501	4,284,675	8.44%
Non-instructional programs	0	0	775,284	721,600	775,284	721,600	7.44%
Other expenses	1,526,180	1,472,717	0	0	1,526,180	1,472,717	3.63%
Total expenses	17,039,898	15,977,215	775,284	721,600	17,815,182	16,698,815	6.69%
Change in net assets	(193,918)	262,172	13,204	(51,918)	(180,714)	210,254	-185.95%
Net assets beginning of year	7,991,094	7,728,922	88,126	140,044	8,079,220	7,868,966	2.67%
Net assets end of year	\$ 7,797,176	7,991,094	101,330	88,126	7,898,506	8,079,220	-2.24%

In fiscal 2009, local tax (property tax, income surtax and statewide sales and services tax) and unrestricted state grants account for 75.25% of the revenue from governmental activities while charges for services and operating grants and contributions account for 91.00% of the revenue from business type activities.

The District's total revenues were approximately \$17.63 million of which \$16.84 million was for governmental activities and \$0.79 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.29% increase in revenues and a 6.69% increase in expenses. The increase in revenues is related to increases in state and federal source revenues during 2009. The increase in expenditures related to increases in the negotiated salary and benefits, as well as the purchase of two buses and a re-roof project at the high school.

Governmental Activities

Revenues for governmental activities were \$16,845,980 and expenses were \$17,039,898.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 10,867,217	10,219,823	6.33%	7,554,520	7,566,840	-0.16%
Support services	4,646,501	4,284,675	8.44%	4,614,500	4,241,964	8.78%
Other expenses	1,526,180	1,472,717	3.63%	915,468	892,069	-2.62%
Totals	\$ 17,039,898	15,977,215	6.65%	13,084,488	12,700,873	3.02%

- The cost financed by users of the District's programs was \$610,796.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,344,614.
- The net cost of governmental activities was financed with \$3,707,201 in property tax, \$336,708 in income surtax, \$942,491 in statewide sales and services tax, \$7,690,584 in unrestricted state grants and \$132,137 in interest income.

Business type Activities

Revenues of the District's business type activities were \$788,488 and expenses were \$775,284. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,786,086, compared to last year's ending fund balances of \$3,922,292. The decrease in overall fund balance is mainly due to the decrease in fund balance of the General Fund.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors:
 - Increases in state aid grants and federal sources relating to the American Recovery and Reinvestment Act during the year resulted in an increase in revenues.
 - The increase in expenditures was due to increases in the negotiated salary and benefits.
 - The increase in expenditures was greater than the increase in revenues thus ensuring the decline to the General Fund.
- The Capital Projects Fund balance decreased from \$1,588,543 in fiscal 2008 to \$1,547,372 in fiscal 2009. This was mainly due to the transfer to the Debt Service Fund to pay principal and interest on the District's general obligation indebtedness.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$88,126 at June 30, 2008 to \$101,330 at June 30, 2009, representing an increase of 14.98%. The main factor in the increase in Nutrition Fund balance was the transfer in from the General Fund of \$66,050 to help pay operating costs.

BUDGETARY HIGHLIGHTS

The District's revenues were \$402,468 more than budgeted revenues, a variance of 2.34%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated because of the stimulus monies received under the American Recovery and Reinvestment Act.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$11,858,015, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.93% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$464,534.

The original cost of the District's capital assets was \$17,300,377. Governmental funds account for \$17,064,957 with the remainder of \$235,420 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$577,298 at June 30, 2008, compared to \$385,389 reported at June 30, 2009. This decrease resulted from depreciation expense as well as the disposal of equipment during the year.

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	\$ 314,400	315,400	0	0	314,400	315,400	-0.32%
Buildings	10,991,416	11,270,265	0	0	10,991,416	11,270,265	-2.47%
Improvements other than buildings	166,810	180,717	0	0	166,810	180,717	-7.70%
Machinery and equipment	306,072	487,951	79,317	89,347	385,389	577,298	-33.24%
Total	\$ 11,778,698	12,254,333	79,317	89,347	11,858,015	12,343,680	-3.93%

Long-Term Debt

At June 30, 2009, the District had \$8,024,756 in general obligation and other long-term debt outstanding. This represents a decrease of 4.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$7,650,000 at June 30, 2009.

The District had compensated absences at June 30, 2009 of \$21,423.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$353,333 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	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
General obligation bonds	\$ 7,650,000	8,010,000	0	0	7,650,000	8,010,000	-4.49%
Compensated absences	21,423	20,068	704	0	22,127	20,068	10.26%
Early retirement	353,333	394,296	0	0	353,333	394,296	-10.39%
Total	\$ 8,024,756	8,424,364	704	0	8,025,460	8,424,364	-4.74%

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:

- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.

-
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the South Tama County Community Schools employer benefit costs over the next three years.
 - Enrollment in the South Tama Community School District has declined from 1648.4 reported on Line 7 of the District's 2007 certified enrollment to 1596.2 reported on the same line on the District's 2008 certified enrollment, to 1508.55 on the District's 2009 enrollment. It is anticipated that enrollment will remain relatively steady over the next several years.

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 Joanna Hofer, Director of Finance and Operations, South Tama County Community School District, 1702 Harding St., Tama, Iowa, 52339.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 4,766,017	28,872	4,794,889
Receivables:			
Property tax:			
Delinquent	72,963	0	72,963
Succeeding year	3,829,408	0	3,829,408
Income surtax	302,059	0	302,059
Accounts	1,758	13,254	15,012
Due from other governments	717,602	0	717,602
Inventories	0	27,262	27,262
Capital assets, net of accumulated depreciation	11,778,698	79,317	11,858,015
Net OPEB asset	7,000	0	7,000
Total Assets	21,475,505	148,705	21,624,210
Liabilities			
Accounts payable	44,909	0	44,909
Salaries and benefits payable	1,679,998	37,926	1,717,924
Accrued interest payable	51,911	0	51,911
Deferred revenue:			
Succeeding year property tax	3,829,408	0	3,829,408
Other	47,347	0	47,347
Unearned revenue	0	8,745	8,745
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	375,000	0	375,000
Compensated absences	21,423	704	22,127
Early retirement payable	131,865	0	131,865
Portion due after one year:			
General obligation bonds payable	7,275,000	0	7,275,000
Early retirement payable	221,468	0	221,468
Total Liabilities	13,678,329	47,375	13,725,704
Net Assets			
Invested in capital assets, net of related debt	4,128,698	79,317	4,208,015
Restricted for:			
Debt service	300,769	0	300,769
Categorical funding	264,425	0	264,425
Physical plant and equipment levy	227,575	0	227,575
Capital projects	1,547,372	0	1,547,372
Other special revenue purposes	113,804	0	113,804
Unrestricted	1,214,533	22,013	1,236,546
Total Net Assets	\$ 7,797,176	101,330	7,898,506

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Operating Grants, Contributions and Restricted Services	Capital Grants, Contributions and Restricted Interest	Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,528,129	171,742	2,548,380	0	(3,808,007)	0	(3,808,007)
Special	2,154,922	31,510	185,522	0	(1,937,890)	0	(1,937,890)
Other	2,184,166	375,543	0	0	(1,808,623)	0	(1,808,623)
	<u>10,867,217</u>	<u>578,795</u>	<u>2,733,902</u>	<u>0</u>	<u>(7,554,520)</u>	<u>0</u>	<u>(7,554,520)</u>
Support services:							
Student	315,893	0	0	0	(315,893)	0	(315,893)
Instructional staff	522,375	0	0	0	(522,375)	0	(522,375)
Administration	2,010,470	0	0	0	(2,010,470)	0	(2,010,470)
Operation and maintenance of plant	1,170,792	0	0	0	(1,170,792)	0	(1,170,792)
Transportation	626,971	32,001	0	0	(594,970)	0	(594,970)
	<u>4,646,501</u>	<u>32,001</u>	<u>0</u>	<u>0</u>	<u>(4,614,500)</u>	<u>0</u>	<u>(4,614,500)</u>
Other expenditures:							
Facilities and acquisitions	324,846	0	0	8,880	(315,966)	0	(315,966)
Long-term debt interest	320,493	0	0	0	(320,493)	0	(320,493)
AEA flowthrough	601,832	0	601,832	0	0	0	0
Depreciation(unallocated)*	279,009	0	0	0	(279,009)	0	(279,009)
	<u>1,526,180</u>	<u>0</u>	<u>601,832</u>	<u>8,880</u>	<u>(915,468)</u>	<u>0</u>	<u>(915,468)</u>
Total governmental activities	17,039,898	610,796	3,335,734	8,880	(13,084,488)	0	(13,084,488)
Business Type activities:							
Non-instructional programs:							
Nutrition services	775,284	306,229	411,282	0	0	(57,773)	(57,773)
Total	\$ 17,815,182	917,025	3,747,016	8,880	(13,084,488)	(57,773)	(13,142,261)
General Revenues & Transfers:							
General revenues:							
Property tax levied for:							
General purposes					\$ 3,628,694	0	3,628,694
Capital outlay					78,507	0	78,507
Income surtax					336,708	0	336,708
Statewide sales and services tax					942,491	0	942,491
Unrestricted state grants					7,690,584	0	7,690,584
Unrestricted investment earnings					132,137	1,831	133,968
Other					147,499	3,096	150,595
Transfers					(66,050)	66,050	0
Total general revenues & transfers					<u>12,890,570</u>	<u>70,977</u>	<u>12,961,547</u>
Changes in net assets					(193,918)	13,204	(180,714)
Net assets beginning of year					<u>7,991,094</u>	<u>88,126</u>	<u>8,079,220</u>
Net assets end of year					<u>\$ 7,797,176</u>	<u>101,330</u>	<u>7,898,506</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 2,978,621	1,146,051	641,345	4,766,017
Receivables:				
Property tax:				
Delinquent	66,595	0	6,368	72,963
Succeeding year	3,315,535	0	513,873	3,829,408
Income surtax	0	0	302,059	302,059
Accounts	1,454	0	304	1,758
Due from other governments	316,281	401,321	0	717,602
Total Assets	\$ 6,678,486	1,547,372	1,463,949	9,689,807
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 43,863	0	1,046	44,909
Salaries and benefits payable	1,679,998	0	0	1,679,998
Deferred revenue:				
Succeeding year property tax	3,315,535	0	513,873	3,829,408
Income surtax	0	0	302,059	302,059
Other	47,347	0	0	47,347
Total liabilities	5,086,743	0	816,978	5,903,721
Fund balances:				
Reserved for:				
Debt service	0	0	300,769	300,769
Categorical funding	264,425	0	0	264,425
Unreserved	1,327,318	1,547,372	346,202	3,220,892
Total fund balances	1,591,743	1,547,372	646,971	3,786,086
Total Liabilities and Fund Balance	\$ 6,678,486	1,547,372	1,463,949	9,689,807

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 16)	\$ 3,786,086
 <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.	11,778,698
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	302,059
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.	7,000
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.	(51,911)
Long-term liabilities, including general obligation bonds, early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(8,024,756)</u>
Net assets of governmental activities (page 14)	<u><u>\$ 7,797,176</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,383,665	942,491	651,329	4,977,485
Tuition	168,851	0	0	168,851
Other	280,243	0	447,934	728,177
Intermediate sources	500	0	0	500
State sources	9,483,236	0	823	9,484,059
Federal sources	1,539,024	0	5,019	1,544,043
Total revenues	<u>14,855,519</u>	<u>942,491</u>	<u>1,105,105</u>	<u>16,903,115</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,415,047	0	0	6,415,047
Special	2,132,297	0	0	2,132,297
Other	1,764,743	0	395,747	2,160,490
	<u>10,312,087</u>	<u>0</u>	<u>395,747</u>	<u>10,707,834</u>
Support services:				
Student	291,971	0	0	291,971
Instructional staff	420,809	0	81,800	502,609
Administration	1,772,909	0	234,358	2,007,267
Operation and maintenance of plant	1,030,182	0	90,955	1,121,137
Transportation services	548,803	0	184,103	732,906
	<u>4,064,674</u>	<u>0</u>	<u>591,216</u>	<u>4,655,890</u>
Other expenditures:				
Facilities acquisitions	0	0	324,846	324,846
Long-term debt:				
Principal	0	0	360,000	360,000
Interest	0	0	322,893	322,893
AEA flowthrough	601,832	0	0	601,832
	<u>601,832</u>	<u>0</u>	<u>1,007,739</u>	<u>1,609,571</u>
Total expenditures	<u>14,978,593</u>	<u>0</u>	<u>1,994,702</u>	<u>16,973,295</u>
Excess(deficiency) of revenues over(under) expenditures	(123,074)	942,491	(889,597)	(70,180)
Other financing sources(uses):				
Transfers in	0	0	983,662	983,662
Transfers out	(66,050)	(983,662)	0	(1,049,712)
Sale of equipment	24	0	0	24
Total other financing sources(uses)	<u>(66,026)</u>	<u>(983,662)</u>	<u>983,662</u>	<u>(66,026)</u>
Net change in fund balances	(189,100)	(41,171)	94,065	(136,206)
Fund balance beginning of year	1,780,843	1,588,543	552,906	3,922,292
Fund balance end of year	<u>\$ 1,591,743</u>	<u>1,547,372</u>	<u>646,971</u>	<u>3,786,086</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 18) \$ (136,206)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on asset disposal are as follows:

Capital outlays	\$ 171,834	
Depreciation expense	(454,504)	
Loss on asset disposal	(192,965)	(475,635)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 8,915

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. 360,000

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. 2,400

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ 40,963	
Compensated Absences	(1,355)	
Other postemployment benefits	7,000	46,608

Changes in net assets of governmental activities (page 15) \$ (193,918)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 28,872
Accounts receivable	13,254
Inventories	27,262
Total current assets	69,388
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	79,317
Total non-current assets	79,317
TOTAL ASSETS	148,705
LIABILITIES	
Current liabilities:	
Salaries and benefits payable	37,926
Unearned revenue	8,745
Total current liabilities	46,671
Long-term liabilities:	
Compensated absences	704
Total long-term liabilities	704
TOTAL LIABILITIES	47,375
NET ASSETS	
Invested in capital assets	79,317
Unrestricted	22,013
TOTAL NET ASSETS	\$ 101,330

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 306,229
Miscellaneous	3,096
TOTAL OPERATING REVENUES	309,325
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	289,770
Benefits	41,507
Services	6,922
Supplies	427,055
Depreciation	10,030
TOTAL OPERATING EXPENSES	775,284
OPERATING LOSS	(465,959)
NON-OPERATING REVENUES:	
State sources	8,699
Federal sources	402,583
Interest on investments	1,831
TOTAL NON-OPERATING REVENUES	413,113
Change in net assets before other financing sources	(52,846)
OTHER FINANCING SOURCES:	
Transfer in	66,050
Changes in net assets	13,204
Net assets beginning of year	88,126
Net assets end of year	\$ 101,330

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY 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	\$ 296,291
Cash received from miscellaneous	3,096
Cash payments to employees for services	(323,736)
Cash payments to suppliers for goods or services	(400,173)
Net cash used in operating activities	(424,522)
Cash flows from non-capital financing activities:	
Transfer in from General Fund	66,050
State grants received	8,699
Federal grants received	366,696
Net cash provided by non-capital financing activities:	441,445
Cash flows from investing activities:	
Interest on investments	1,831
Net increase in cash and cash equivalents	18,754
Cash and cash equivalents at beginning of year	10,118
Cash and cash equivalents at end of year	\$ 28,872
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (465,959)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	36,792
Depreciation	10,030
Increase in inventories	(1,609)
Increase in accounts receivable	(10,518)
Decrease in accounts payable	(1,379)
Increase in salaries and benefits payable	6,837
Increase in unearned revenue	580
Increase in compensated absences	704
Net cash used in operating activities	\$ (424,522)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$36,792.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 39,722
Due from other groups	148
Total Assets	<u>\$ 39,870</u>
Liabilities	
Due to other groups	\$ 39,870
Total liabilities	<u>\$ 39,870</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the 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	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	10-50 years
Machinery and equipment	5-20 years

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

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

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

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

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

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

(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 no investments.

(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	\$ 983,662
Enterprise, School Nutrition	General	<u>66,050</u>
Total		<u>\$ 1,049,712</u>

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 315,400	0	1,000	314,400
Total capital assets not being depreciated	<u>315,400</u>	<u>0</u>	<u>1,000</u>	<u>314,400</u>
Capital assets being depreciated:				
Buildings	13,533,481	0	88,063	13,445,418
Land improvements	278,149	0	0	278,149
Machinery and equipment	3,065,064	171,834	209,908	3,026,990
Total capital assets being depreciated	<u>16,876,694</u>	<u>171,834</u>	<u>297,971</u>	<u>16,750,557</u>
Less accumulated depreciation for:				
Buildings	2,263,216	265,102	74,316	2,454,002
Land improvements	97,432	13,907	0	111,339
Machinery and equipment	2,577,113	175,495	31,690	2,720,918
Total accumulated depreciation	<u>4,937,761</u>	<u>454,504</u>	<u>106,006</u>	<u>5,286,259</u>
Total capital assets being depreciated, net	<u>11,938,933</u>	<u>(282,670)</u>	<u>191,965</u>	<u>11,464,298</u>
Governmental activities capital assets, net	<u>\$ 12,254,333</u>	<u>(282,670)</u>	<u>192,965</u>	<u>11,778,698</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 238,253	0	2,833	235,420
Less accumulated depreciation	148,906	10,030	2,833	156,103
Business type activities capital assets, net	<u>\$ 89,347</u>	<u>(10,030)</u>	<u>0</u>	<u>79,317</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular \$ 101,185

Support services:

Instructional staff 3,191

Administration 5,153

Operation and maintenance of plant 30,735

Transportation 35,231

175,495

Unallocated depreciation

279,009

Total governmental activities depreciation expense

\$ 454,504

Business type activities:

Food services

\$ 10,030

(5) 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
Governmental Activities:					
General obligation bonds	\$ 8,010,000	0	360,000	7,650,000	375,000
Compensated absences	20,068	21,423	20,068	21,423	21,423
Early retirement	394,296	113,210	154,173	353,333	131,865
Total	<u>\$ 8,424,364</u>	<u>134,633</u>	<u>534,241</u>	<u>8,024,756</u>	<u>528,288</u>
Business Type Activities:					
Compensated absences	\$ 0	704	0	704	704

Bonds Payable

Details of the District's June 30, 2009 general obligation bonds are as follows:

Year Ending June 30,	Bond issue dated December 1, 2004				
	Interest Rates	Principal	Interest	Total	
2010	4.25	% \$ 375,000	307,536	682,536	
2011	4.25	390,000	291,386	681,386	
2012	4.25	405,000	274,705	679,705	
2013	4.25	425,000	257,280	682,280	
2014	3.55-4.00	440,000	239,280	679,280	
2015	3.55-3.65	460,000	222,987	682,987	
2016	3.65-3.75	480,000	206,130	686,130	
2017	3.75-3.85	500,000	188,062	688,062	
2018	3.85-4.00	520,000	168,745	688,745	
2019	4.00-4.05	545,000	147,940	692,940	
2020	4.05-4.15	565,000	125,732	690,732	
2021	4.15-4.20	595,000	102,114	697,114	
2022	4.20-4.25	620,000	76,882	696,882	
2023	4.25-4.30	650,000	50,291	700,291	
2024	4.30-4.35	680,000	22,100	702,100	
Total		\$ 7,650,000	2,681,170	10,331,170	

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed six years of continuous service to the South Tama School District and at least fifteen years of total service to the education field. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percent of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum dollar amount of \$6,500 per individual. Early retirement benefits paid during the year ended June 30, 2009, totaled \$154,173. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund early retirement.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 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 \$641,987, \$574,713 and \$509,278 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 247 active and 33 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The District pays a cash benefit based on the retiree's final salary. For employees with six years of continuous service to the South Tama Community School District and at least fifteen total years of service to the education field, the maximum cash benefit is \$6,500 to be paid out over a five year period. The cash benefit is shown as an explicit subsidy and an OPEB liability.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 212,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>212,000</u>
Contributions made	<u>(219,000)</u>
Increase in net OPEB obligation	(7,000)
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u>\$ (7,000)</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2009.

For fiscal year 2009, the District contributed \$378,000 to the medical plan. Plan members receiving benefits contributed \$159,000, or 29.6% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/09	\$212,000	103.3%	(\$7,000)

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$2.312 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.312 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.045 million, and the ratio of the UAAL to the covered payroll was 25.6%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report

as of June 30, 2007.

Projected claim costs of the medical plan are \$717 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(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 \$601,832 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Project	Amount
Limited english proficiency weighting	\$ 411
Beginning teacher mentoring	1,810
Salary improvement program	15,403
Additional teacher contract day	3,429
Beginning administrator mentoring	1,500
Phase II	6,415
Early intervention	84,739
State decategorization grant	11,477
Juvenile delinquency grant	31,288
Model core curriculum	16,817
Professional development	79,486
Market factor incentives	11,650
Total	<u>\$ 264,425</u>

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 5,874,513	311,156	6,185,669	6,118,948	6,118,948	66,721
Intermediate sources	500	0	500	0	0	500
State sources	9,484,059	8,699	9,492,758	9,644,137	9,644,137	(151,379)
Federal sources	1,544,043	402,583	1,946,626	1,460,000	1,460,000	486,626
Total revenues	16,903,115	722,438	17,625,553	17,223,085	17,223,085	402,468
Expenditures/Expenses:						
Instruction	10,707,834	0	10,707,834	10,830,000	10,830,000	122,166
Support services	4,655,890	0	4,655,890	5,020,000	5,020,000	364,110
Non-instructional programs	0	775,284	775,284	780,000	780,000	4,716
Other expenditures	1,609,571	0	1,609,571	2,393,053	2,393,053	783,482
Total expenditures/expenses	16,973,295	775,284	17,748,579	19,023,053	19,023,053	1,274,474
Excess(Deficiency) of revenues over(under) expenditures/expenses	(70,180)	(52,846)	(123,026)	(1,799,968)	(1,799,968)	1,676,942
Other financing sources, net	(66,026)	66,050	24	0	0	24
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(136,206)	13,204	(123,002)	(1,799,968)	(1,799,968)	1,676,966
Balance beginning of year	3,922,292	88,126	4,010,418	4,080,532	4,080,532	(70,114)
Balance end of year	\$ 3,786,086	101,330	3,887,416	2,280,564	2,280,564	1,606,852

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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.

SOUTH TAMA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
July 1, 2008	\$ -	\$2,312	\$2,312	0.0%	\$9,045	25.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 0	114,546	226,030	340,576	300,769	641,345
Receivables:						
Property tax:						
Current year delinquent	4,823	0	1,545	6,368	0	6,368
Succeeding year	350,001	0	163,872	513,873	0	513,873
Income surtax	0	0	302,059	302,059	0	302,059
Accounts	0	304	0	304	0	304
Total Assets	\$ 354,824	114,850	693,506	1,163,180	300,769	1,463,949
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 0	1,046	0	1,046	0	1,046
Deferred revenue:						
Succeeding year property tax	350,001	0	163,872	513,873	0	513,873
Income surtax	0	0	302,059	302,059	0	302,059
Total liabilities	350,001	1,046	465,931	816,978	0	816,978
Fund balances:						
Reserved for debt service	0	0	0	0	300,769	300,769
Unreserved	4,823	113,804	227,575	346,202	0	346,202
Total fund balances	4,823	113,804	227,575	346,202	300,769	646,971
Total Liabilities and Fund Balances	\$ 354,824	114,850	693,506	1,163,180	300,769	1,463,949

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 245,029	0	406,300	651,329	0	651,329
Other	0	376,138	71,796	447,934	0	447,934
State sources	201	0	622	823	0	823
Federal sources	0	0	5,019	5,019	0	5,019
TOTAL REVENUES	245,230	376,138	483,737	1,105,105	0	1,105,105
EXPENDITURES:						
Current:						
Instruction:						
Other	0	395,747	0	395,747	0	395,747
Support services:						
Instructional staff	0	0	81,800	81,800	0	81,800
Administration	234,358	0	0	234,358	0	234,358
Operation and maintenance of plant	52,876	0	38,079	90,955	0	90,955
Student transportation	14,993	0	169,110	184,103	0	184,103
Other expenditures:						
Facilities acquisitions	0	0	324,846	324,846	0	324,846
Long-term debt:						
Principal	0	0	0	0	360,000	360,000
Interest	0	0	0	0	322,893	322,893
TOTAL EXPENDITURES	302,227	395,747	613,835	1,311,809	682,893	1,994,702
Deficiency of revenues under expenditures	(56,997)	(19,609)	(130,098)	(206,704)	(682,893)	(889,597)
Other financing sources:						
Transfers in	0	0	0	0	983,662	983,662
Net change in fund balance	(56,997)	(19,609)	(130,098)	(206,704)	300,769	94,065
Fund balance beginning of year	61,820	133,413	357,673	552,906	0	552,906
Fund balance end of year	\$ 4,823	113,804	227,575	346,202	300,769	646,971

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 0	332	332	0
Cross Country	664	1,637	1,801	500
Boys Basketball	5,350	7,706	9,358	3,698
Football	20,639	21,369	35,306	6,702
Special Fundraising	66	0	0	66
Boys Soccer	2,478	2,913	4,891	500
Girls Soccer	1,355	3,174	4,029	500
Baseball	2,278	4,988	4,266	3,000
Boys Golf	500	1,326	1,366	460
Girls Golf	500	1,173	1,423	250
Golf Fundraising	447	0	240	207
Wrestling	2,706	19,257	19,963	2,000
Girls Basketball	2,144	8,302	8,655	1,791
Fitness Girls BB	208	92	300	0
Volleyball	2,822	5,427	6,686	1,563
Softball	3,000	5,234	5,234	3,000
Boys Track	2,000	6,532	7,532	1,000
Girls Track	1,000	10,364	10,101	1,263
Boys Tennis	350	2,185	810	1,725
Girls Tennis	887	1,497	659	1,725
Elementary Activity	6,457	9,349	10,498	5,308
Elementary Assembly	1,117	2,985	3,913	189
Elementary Red Ribbon	190	0	0	190
MS Activities	2,401	218	776	1,843
MS Assembly	3,849	1,227	1,245	3,831
MS Athletics	4,677	11,896	11,987	4,586
MS Concessions	526	0	526	0
MS Band	0	1,277	147	1,130
MS Vocal	668	106	0	774
PE Club MS	4	0	4	0
MS Student Council	1,570	3,002	2,972	1,600
MS Magazine Sales	6,471	22,101	25,732	2,840
MS Special Ed Activity	7,320	0	195	7,125
MS Fundraising	1,130	0	1,130	0
HS Activities	0	1,039	357	682
HS Athletic-Activity	278	11,827	8,683	3,422
SBYS Activities	222	28	199	51
Diversity Account	1,208	103	0	1,311
HS Drill Team	3,803	456	3,693	566
Technology Club	410	0	410	0

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
A F S	550	0	550	0
Annual	8,633	8,195	9,437	7,391
Art Activities	780	138	20	898
Art Club	679	180	23	836
Cheerleaders	1,840	4,245	5,709	376
ALM Club	1,065	443	422	1,086
HS Class Activity	307	0	0	307
Class of 2007	355	0	355	0
Class of 2008	1,797	161	1,958	0
Class of 2009	200	2,766	2,923	43
Class of 2010	107	70	0	177
HS Concessions	4,000	44,554	48,554	0
Drama Club	1,494	5,740	5,989	1,245
Environmental Science	2,537	5,961	8,388	110
FCA Club	54	438	46	446
FFA Club	442	21,639	13,973	8,108
National Honor Society	100	462	462	100
HS Band	0	44,265	41,010	3,255
Harding Street	635	1,688	971	1,352
Musical	2,261	4,708	3,754	3,215
HS Vocal	2,202	552	83	2,671
Music Dept Cards	1,288	0	641	647
HS PE Club	275	20	295	0
Plays	2,290	2,987	2,473	2,804
Pop, Athletics	0	0	0	0
Pop, HS Student	92	15,819	14,761	1,150
Soda Club	222	0	222	0
Spanish Club	4	0	4	0
Speech Activities	0	3,330	3,330	0
Speech Club	602	104	144	562
HS Special Ed	526	502	0	1,028
HS Student Council	410	6,350	6,251	509
HS Vending	0	11,079	11,079	0
Volleyball Club	1,902	6,780	7,706	976
HS Prom Account	1,500	5,337	5,474	1,363
HS Music Madrigals	106	0	106	0
Blue Crew	812	557	762	607
FCCLA Club - Fams & Cons Science	137	0	137	0
Industrial Tech Club	70	0	70	0
Vending Dairy Products	750	0	750	0
HS Color Guard	694	747	1,341	100
Athletic Tickets	0	7,199	155	7,044
Total	\$ 133,413	376,138	395,747	113,804

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECT FUND
 YEAR ENDED JUNE 30, 2009

	Capital Project Fund		
	Building Projects	Statewide Sales Tax	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	942,491	942,491
TOTAL REVENUES	0	942,491	942,491
Excess of revenues over expenditures	0	942,491	942,491
Other financing uses:			
Transfer out	(300,769)	(682,893)	(983,662)
Net change in fund balance	(300,769)	259,598	(41,171)
Fund balance beginning of year	300,769	1,287,774	1,588,543
Fund balances end of year	\$ 0	1,547,372	1,547,372

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 JUNE 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 35,460	58,951	54,689	39,722
Due from other groups	0	148	0	148
Total assets	\$ 35,460	59,099	54,689	39,870
Liabilities				
Due to other groups	\$ 35,460	59,099	54,689	39,870
Total liabilities	\$ 35,460	59,099	54,689	39,870

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 4,977,485	4,759,199	4,442,371	4,469,659	4,122,921	3,633,127
Tuition	168,851	171,241	139,472	152,363	132,301	126,783
Other	728,177	915,783	708,657	660,114	730,825	593,641
Intermediate sources	500	0	2,000	5,895	1,530	1,825
State sources	9,484,059	9,187,454	8,255,004	8,113,530	7,803,209	6,952,980
Federal sources	1,544,043	1,203,147	1,221,073	1,646,920	1,389,011	1,246,690
Total	<u>\$ 16,903,115</u>	<u>16,236,824</u>	<u>14,768,577</u>	<u>15,048,481</u>	<u>14,179,797</u>	<u>12,555,046</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 6,415,047	6,211,111	5,669,803	5,346,409	5,169,553	5,222,259
Special	2,132,297	2,111,149	1,919,218	2,644,628	2,510,195	2,402,292
Other	2,160,490	1,823,380	1,710,503	993,609	1,090,402	884,448
Support services:						
Student	291,971	285,627	218,513	287,237	230,147	307,912
Instructional staff	502,609	352,132	299,096	356,873	197,301	184,627
Administration	2,007,267	1,948,973	1,890,429	1,871,832	2,022,185	1,540,421
Operation and maintenance of plant	1,121,137	1,182,312	1,335,823	1,222,974	1,049,550	982,246
Transportation services	732,906	584,335	574,556	644,149	465,085	491,554
Central services	0	0	0	0	0	7,533
Other expenditures:						
Facilities acquisitions	324,846	281,796	1,260,095	8,222,543	687,194	75,135
Long-term debt:						
Principal	360,000	345,000	330,000	315,000	0	0
Interest	322,893	335,380	345,355	354,317	148,869	0
AEA flow-through	601,832	577,648	528,031	512,470	499,369	472,195
Total	<u>\$ 16,973,295</u>	<u>16,038,843</u>	<u>16,081,422</u>	<u>22,772,041</u>	<u>14,069,850</u>	<u>12,570,622</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
IMPACT AID GRANT	84.041	FY 06	\$ 105,770
IMPACT AID GRANT	84.041	FY 09	558,489
			<u>664,259</u>
DEPARTMENT OF THE INTERIOR:			
INDIAN EDUCATION - ASSISTANCE TO SCHOOLS	15.130	FY 09	<u>52,724</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	74,818
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	327,765
			<u>402,583</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 09	90,000
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1503-GC	260,063
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	31,246
			<u>381,309</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES STATE GRANTS	84.186	FY 09	<u>6,467</u>
PARENTAL ASSISTANCE CENTERS	84.310	FY 09	<u>500</u>
ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	FY 09	<u>6,795</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	<u>74,747</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 09	<u>9,952</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	<u>140,356</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 09	<u>90,145</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>16,392</u>
DEPARTMENT OF HOMELAND SECURITY:			
DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	FY 09	<u>5,019</u>
TOTAL			<u>\$ 1,851,248</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the South Tama County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Tama County Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 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 Tama County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of South Tama County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Tama County Community School District's internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

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

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2010

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of
South Tama County Community School District

Compliance

We have audited the compliance of South Tama County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. South Tama County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of South Tama County Community School District's management. Our responsibility is to express an opinion on South Tama County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Tama County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on South Tama County Community School District's compliance with those requirements.

In our opinion, South Tama County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of South Tama County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered South Tama County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Tama County Community School District's internal control over compliance.

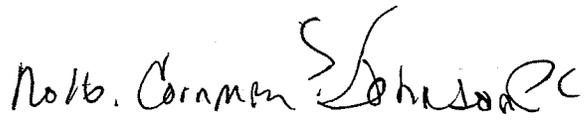
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed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

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2010

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 84.010 - Title I (SINA - Schools in Need of Assistance)
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
 - Individual
 - CFDA Number 84.041 – Impact Aid Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) South Tama County Community School District did not qualify as a low-risk auditee.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

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

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

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

Conclusion - Response accepted.

II-B-09 Money for Students at Sporting Events - We noted during our audit of the Student Activity Fund that the District issued a check to a coach to pay for student meals at a state event. At the conclusion of the event, there were no receipts or supporting documentation that students received money or leftover money had been turned into the office staff.

Recommendation - The District should document who receives cash when going on trips. The District should have a list of who received the cash and the amount. The students should sign off upon receiving cash for the trip. The District should review procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

Response - There is now a set dollar amount the District gives for student meals. The District has initiated procedures whereby students sign off upon receiving cash for meals for state events per page 6 in South Tama County's Student Activity Fund Procedures manual.

Conclusion - Response accepted.

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

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - The Fiscal Department has developed a form for use by non-certified staff coaches and will implement immediately. The Procedure Manual will also include this form.

Conclusion - Response accepted.

II-D-09 Supporting Documents for Payments to Officials - We noted during the audit that payments were made to athletic officials from the Student Activity fund, however, there were not always copies of the contracts with the paid bills.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and (athletic) officials should be informed that payment will be made in this manner unless a valid contract exists. Copies of the signed contracts should be supplied to the accounting staff before checks are issued. The signed contract should then be kept with the paid bills.

Response - Procedures have been initiated whereby the Board of Education approves all officials' contracts. The Activities Department reconciles contracts to officiating claim forms before submitting them to the accounting staff for payment.

Conclusion - Response accepted.

II-E-09 Agency Fund - During our audit we noted the District utilizes an Agency Fund. According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the District serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or a parent-teacher organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District places certain assets into the custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund".

The District appears to be improperly accounting for District funds as agency accounts.

Recommendation - Management should review each account identified in the agency fund and determine the most appropriate place to record the transactions. As stated above, the agency fund is created by the District to act as an 'agent' for non District accounts. The District may not arbitrarily choose which funds are placed into an agency account; based on convenience, amount, or sponsor preference. Monies accounted for in the Agency Fund should be the property of an entity that has its own federal identification number and would be considered a legally separate entity. If the accounts that are currently in the Agency Fund are truly District funds, the transactions should be recorded in the most appropriate fund where standard District policies and procedures should be followed.

It would appear that each of the accounts recorded in the Agency Fund are in fact District funds, which should be subject to the same level of accounting as any other transactions currently recorded in the District's records. The District needs to evaluate each account currently maintained in the Agency Fund and determine that account's validity as an Agency account.

As an example, currently the Agency Fund has a Swift Scholarship account and a Student Scholarship account. Revenues and expenses for these accounts are for the purpose of giving scholarships to students. Since these revenues and expenses are that of the District, the most appropriate place to account for these transactions would be the Private Purpose Trust Fund.

As another example, it appears that the administration building and the high school maintains an account within the Agency Fund. The revenues recorded in these accounts are derived from vending sales from District pop machines. Expenses from these accounts include beverages and meals for staff meetings. Clearly the profit from the sales of District's pop machines is the District's profit and should be recorded as revenue in the District's General Fund. The expenditures for staff meetings may not be appropriate and should be identified as to the public purpose served when approving and paying these types of bills.

As previously mentioned the District should review each Agency Fund account individually and then make necessary transfers to the funds that are most appropriate. The District should also review Chapter 9 of the LEA Administrative Manual to identify the most appropriate placement for these account transactions. The District should refrain from utilizing the Agency Fund for accounts that are not true agent relationships.

Response - The Swift Scholarship and Student Scholarship will be moved to the Private Purpose Trust Fund. Vending and pop funds will be moved to General Fund.

Conclusion - Response accepted.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 84.010: Title I (SINA - Schools in Need of Assistance)
CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.389: Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.041: Impact Aid Grant
Federal Award Year: 2009
U.S. Department of Education

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

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

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

Conclusion - Response accepted.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

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

IV-B-09 Questionable Disbursements - We noted during our audit that the District wrote checks or gave cash to individual students from the Student Activity Fund. These checks were subsequently cashed to purchase gift certificates/cards that were given to students as prizes. Giving cash or gift certificates/cards to students as prizes do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - Cash or gift certificates will not be given to students per page 4 in South Tama County's Student Activity Fund Procedures manual.

Conclusion - Response accepted.

IV-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.

IV-D-09 Business Transactions - No business transactions between the District and District officials were noted.

IV-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.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported on Line 1 as resident students was understated by 2.0 students.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-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.

IV-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.

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

IV-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		942,491
Expenditures/Transfers out:		
Debt service for school infrastructure:		
General obligation debt		682,893
Ending balance	\$	259,598

Levies reduced as a result of statewide sales and services tax received:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 2.32569	\$ 682,893

IV-L-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will obtain written authorization from each employee who desires to receive a paycheck in the mail.

Conclusion - Response accepted.

IV-M-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to be in compliance with 291.1 of the Code of Iowa.

Response - Procedures have been initiated whereby the Board of Education approves all officials' contracts, and the Board President signs them.

Conclusion - Response accepted.

IV-N-09 Physical Plant and Equipment Levy (PPEL) Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. We noted during our audit that the District purchased chairs and desks from the PPEL Fund for \$10,554. These expenditures, which are less than \$500 per single unit, are inappropriate from the PPEL Fund.

Recommendation - The District should review the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non compliance. The District should make a corrective transfer to the PPEL Fund from the General Fund for the \$10,554 of unallowable expenditures.

Response - The District will transfer \$10,554 to the PPEL Fund from General Fund for the unallowable expenditures.

Conclusion - Response accepted.

IV-O-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from 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). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

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). More specific examples of these instances of questioned items and recommendations are as follows:

Currently, donations from Target are recorded in the elementary activities and middle school activities accounts in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Currently, the District records Box Top donations in the Student Activity Fund. Since the items listed for purchase with Box Top donations appear more instructional in nature, the most logical place to record these donations would be the General Fund.

The District has an elementary activities account. Expenditures from this account included instructional supplies and revenues that appeared to be from library book fines. We also noted revenues and expenses for field trips that appeared to be instructional in nature. According to the definition of allowable Activity Fund expenditures mentioned above, it would appear that these revenues and expenditures would be more appropriate from the General Fund.

The District writes various checks throughout the year for start up cash at the gate for District events. It was noted that checks were being written to the bank only instead of the custodian/sponsor for these events. Checks made out to the bank only can be construed as barer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - Donations are now receipted to General Fund. All instructional expenses will be paid from General Fund. The South Tama County Student Activity Fund Procedures manual detailing such procedures has been reviewed with staff.

Conclusion - Response accepted.