

TIPTON COMMUNITY SCHOOL DISTRICT
TIPTON, IOWA

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

JUNE 30, 2009

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TIPTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2008 Election)		
Ed Pelzer	President	2009
Duane Webb	Vice President	2008
Bill Schwitzer	Board Member	2009
Sue McGuinity	Board Member	2011
Mark Forest	Board Member	2011
<u>Board of Education</u>		
(After September 2008 Election)		
Ed Pelzer	President	2009
Duane Webb	Vice President	2011
Bill Schwitzer	Board Member	2009
Sue McGuinity	Board Member	2011
Mark Forest	Board Member	2011
<u>School Officials</u>		
Richard Grimoskas	Superintendent	2012
Jim Becker	District Secretary/Treasurer	2009
Brian Gruhn	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Tipton 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 Tipton Community School District, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 Tipton Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2009 on our consideration of Tipton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. 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.

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 6 through 16 and 52 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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 Tipton 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 year ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2007 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The financial statements for the two years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
September 11, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tipton 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 \$7,145,027 in fiscal 2008 to \$7,228,938 in fiscal 2009, and General Fund expenditures increased from \$6,869,735 in fiscal 2008 to \$7,215,945 in fiscal 2009. The District's General Fund balance increased from \$1,058,661 in fiscal 2008 to \$1,080,032 in fiscal 2009, a 2.02% increase.
- The increase in General Fund revenue in fiscal year 2009 was attributable to an increase in teacher quality funding from the State of Iowa and an increase in Federal money through the state stabilization fund. The increase in expenditures was due primarily to the negotiated salary and benefits settlement and teacher quality payments to the certified staff. The increase in expenditures was offset enough by the increase in revenues to allow the district to have an increase in the general fund balance.
- A decrease in interest rates during the 2009 fiscal year resulted in interest earnings in the General Fund alone decreasing from \$86,014 in fiscal 2008 to \$31,500 in fiscal 2009.

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 Tipton 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 Tipton 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 Tipton Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the non-major Governmental Funds.

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

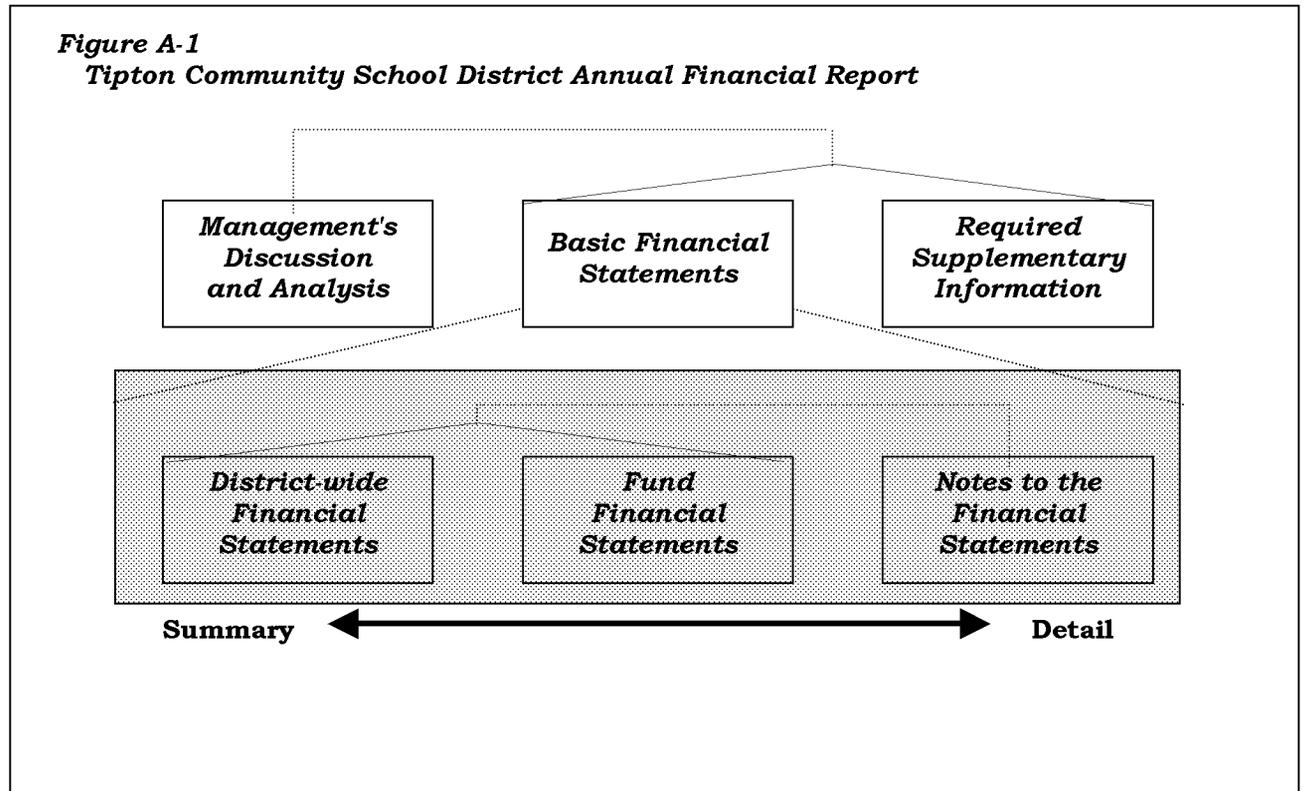


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 Flexible benefits	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has 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, Capital Projects Fund and Debt Service Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide 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. Internal service funds, (the other type of proprietary fund) report activities that provide supplies or services for other District programs or activities. The District currently has one internal service fund, the Flexible Benefits fund.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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 net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$6,560,375	\$6,923,091	\$53,959	\$47,834	\$6,614,334	\$6,970,925	-5.12%
Capital assets	<u>7,982,214</u>	<u>7,910,177</u>	<u>60,948</u>	<u>66,877</u>	<u>8,043,162</u>	<u>7,977,054</u>	.83%
Total assets	<u>14,542,589</u>	<u>14,833,268</u>	<u>114,907</u>	<u>114,711</u>	<u>14,657,496</u>	<u>14,947,979</u>	-1.94%
Long-term obligations	5,090,962	5,545,000	-	-	5,090,962	5,545,000	-8.19%
Other liabilities	<u>3,722,428</u>	<u>4,174,283</u>	<u>23,458</u>	<u>22,901</u>	<u>3,745,886</u>	<u>4,197,184</u>	-10.75%
Total liabilities	<u>8,813,390</u>	<u>9,719,283</u>	<u>23,458</u>	<u>22,901</u>	<u>8,836,848</u>	<u>9,742,184</u>	-9.29%
Net assets							
Invested in capital assets,							
net of related debt	2,917,214	2,365,177	60,948	66,877	2,978,162	2,432,054	22.45%
Restricted	1,543,519	1,530,448	-	-	1,543,519	1,530,448	.85%
Unrestricted	<u>1,268,466</u>	<u>1,218,360</u>	<u>30,501</u>	<u>24,933</u>	<u>1,298,967</u>	<u>1,243,293</u>	4.48%
Total net assets	<u>\$5,729,199</u>	<u>\$5,113,985</u>	<u>\$91,449</u>	<u>\$91,810</u>	<u>\$5,820,648</u>	<u>\$5,205,795</u>	11.81%

The District's combined net assets increased by approximately 12%, or \$614,853, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$13,071, or approximately .85% from the prior year. The increase was primarily a result of funds restricted from capital projects in which the funds will be expensed on building projects in a future fiscal year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$55,674, or approximately 4%. This increase in unrestricted net assets was a result of increased state aid with the inclusion of federal stimulus funds in fiscal year 2009 due to an increase in enrollment in fiscal year 2008 while keeping our increase in related expenditures to a minimum.

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

	Figure A-4 Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Change
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008-2009</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 780,681	\$ 879,903	\$ 251,916	\$ 237,535	\$ 1,032,597	\$ 1,117,438	-7.59%
Operating grants and contributions	1,147,195	891,716	210,944	185,974	1,358,139	1,077,690	26.02%
Capital grants and contributions	-	77,743	8,429	-	8,429	77,743	-89.16%
General revenues							
Property tax	2,810,467	2,819,820	-	-	2,810,467	2,819,820	-.33%
Income Surtax	509,000	466,148	-	-	509,000	466,148	9.19%
Local option sales and service tax	469,806	465,079	-	-	469,806	465,079	1.02%
Unrestricted state grants	3,208,025	3,217,297	-	-	3,208,025	3,217,297	-.29%
Unrestricted investment earnings	52,052	130,539	91	178	52,143	130,717	-60.11%
Other	<u>27,405</u>	<u>20,306</u>	<u>-</u>	<u>-</u>	<u>27,405</u>	<u>20,306</u>	34.96%
Total revenues	<u>9,004,631</u>	<u>8,968,551</u>	<u>471,380</u>	<u>423,687</u>	<u>9,476,011</u>	<u>9,392,238</u>	.89%
Program expenses							
Governmental activities							
Instruction	5,020,937	4,745,599	-	-	5,020,937	4,745,599	5.80%
Support services	2,371,402	2,279,326	-	-	2,371,402	2,279,326	4.04%
Non-instructional programs	61,259	46,322	471,741	438,175	533,000	484,497	10.01%
Other expenses	<u>935,819</u>	<u>751,076</u>	<u>-</u>	<u>-</u>	<u>935,819</u>	<u>751,076</u>	24.60%
Total expenses	<u>8,389,417</u>	<u>7,822,323</u>	<u>471,741</u>	<u>438,175</u>	<u>8,861,158</u>	<u>8,260,498</u>	7.27%
Excess (deficiency) before transfers	615,214	1,146,228	(361)	(14,488)	614,853	1,131,740	-45.67%
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0%
Change in net assets	<u>615,214</u>	<u>\$ 1,146,228</u>	<u>(361)</u>	<u>\$ (14,488)</u>	<u>614,853</u>	<u>\$ 1,131,740</u>	-45.67%

In fiscal 2009, property tax and unrestricted state grants account for 67% of the revenue from governmental activities while charges for services and sales and operating grants and contributions account for 98% of the revenue from business type activities.

The District's total revenues were \$9,476,011 of which \$9,004,631 was for governmental activities and \$471,380 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a .89% increase in revenues and a 7.27% increase in expenses. Property tax decreased \$9,353. The increase in expenses comes mostly in the instruction and support service areas due to the negotiated salary and benefits settlement with certified and non-certified staff.

Governmental Activities

Revenues for governmental activities were \$9,004,631 and expenses were \$8,389,417. The District was able to balance the budget with increased revenue.

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

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 5,020,937	\$ 4,745,599	5.80%	\$3,503,297	\$ 3,303,367	6.05%
Support services	2,371,402	2,279,326	4.04%	2,248,363	2,223,553	1.12%
Non-Instructional Programs	61,259	46,322	32.25%	61,259	46,322	32.25%
Other Expenses	<u>935,819</u>	<u>751,076</u>	24.60%	<u>648,622</u>	<u>399,719</u>	62.27%
Total expenses	<u>\$8,389,417</u>	<u>\$ 7,822,323</u>	7.25%	<u>\$ 6,461,541</u>	<u>\$ 5,787,093</u>	11.65%

- The cost financed by users of the District’s programs was \$780,681.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,147,195
- The net cost of governmental activities was financed with \$3,789,273 in property and other taxes and \$3,208,025 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$471,380 representing an 11.26 percent increase over the prior year while expenses totaled \$471,741, a 7.66 percent increase over the prior year. 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.

During the year ended June 30, 2009, the District’s federal revenue increased due to increases in participation of the number of meals served. This increase in revenue was more than offset by salaries and benefits for nutrition staff.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,448,434, slightly above last year’s ending fund balances of \$2,429,001. The primary reason for the increase in combined fund balances in fiscal 2009 is due to the District having projects, which had begun, however, a portion of the expense of the projects had not been incurred by June 30, 2009.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of an increase in state funding. This increase was partially funded by federal stimulus money. This resulted in an increase in revenues. The District's increase in General Fund expenditures was in large part due to personnel salary and benefit settlements.
- The General Fund balance increased from \$1,058,661 to \$1,080,032, due to increased federal aid from the federal stimulus package, which helped revenues increase as a whole. This helped offset increased expenditures enough to increase the general fund balance.
- The Capital Projects Fund balance increased from \$349,651 in fiscal 2008 to \$403,365 in fiscal 2009. The District began a flooring project in fiscal year 2009. On June 30, 2009 a significant amount of the project had not been completed, however, the funds were available. Due to the timing of this project, the funds not yet paid out accounted for the increase in the capital projects fund balance.
- The Debt Service Fund balance increased from \$257,649 in fiscal 2008 to \$266,567 in fiscal 2009. The District continues to hold a reserve for the elementary project bond issue and the payment on the elementary project bond has a payment date of July 1 each year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$91,810 at June 30, 2008 to \$91,449 at June 30, 2009, representing a decrease of approximately .4%. For fiscal 2009, the District's increase in salaries and benefits resulted in a decrease in current assets. Depreciation of capital assets also contributed to the overall decrease in net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, Tipton Community School District amended its annual budget one time to reflect additional expenditures associated with additional nutrition expenses.

The District's receipts were \$76,291 more than budgeted receipts, a variance of approximately 1%. The most significant variances resulted from the District receiving more federal stimulus money and Medicaid reimbursement money than originally budgeted.

Total expenditures were \$182,376 less than the amended budget, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$8,043,162, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately .8% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$339,155.

The original cost of the District's capital assets was \$12,705,906. Governmental funds account for \$12,462,100, with the remainder of \$243,806 accounted for in the Proprietary, School Nutrition Fund.

The increase in original cost of capital assets during the 2009 fiscal year occurred due to equipment purchased throughout the year and a large portion of the stadium bleacher project being completed.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change 2008-2009
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
Land	\$ 43,300	\$ 43,300	\$ -	\$ -	\$ 43,300	\$ 43,300	0.00%
Construction in progress	252,335	65,020	-	-	252,335	65,020	288.09%
Buildings and improvements	7,040,092	7,221,783	-	-	7,040,092	7,221,783	-2.52%
Improvements other than buildings	224,999	160,887	-	-	224,999	160,887	39.85%
Furniture and equipment	<u>421,488</u>	<u>419,187</u>	<u>60,948</u>	<u>66,877</u>	<u>482,436</u>	<u>486,064</u>	-.75%
Totals	<u>\$7,982,214</u>	<u>\$7,910,177</u>	<u>\$ 60,948</u>	<u>\$ 66,877</u>	<u>\$8,043,162</u>	<u>\$7,977,054</u>	.83%

Long-Term Debt

At June 30, 2009, the District had \$5,090,962 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 8.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total		Total Change
	School District		
	<u>2009</u>	<u>2008</u>	<u>2008-2009</u>
General obligation bonds	\$ 4,045,000	\$ 4,365,000	-7.33%
Revenue bonds	1,020,000	1,180,000	-13.56%
Capital loan notes	-	-	0%
Capital leases	-	-	0%
Early retirement	25,962	-	%
Total	<u>\$ 5,090,962</u>	<u>\$ 5,545,000</u>	-8.19%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Tipton Community School District has experienced a stable enrollment in the past couple years. The District expects to hold stable over the next few years.
- The current economic outlook in the United States and the State of Iowa may have an adverse effect on the financial health of the district. If state revenues are less than projected and a possible reversion of state funding is done, the district fund balances may be dramatically affected. The district must continue to evaluate options they have during an economic slowdown.

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 Jim Becker, District Secretary/Treasurer, Tipton Community School District, 400 East 6th Street, Tipton, Iowa 52772.

Basic Financial Statements

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,202,037	\$ 30,993	\$ 3,233,030
Receivables:			
Property tax:			
Current year	36,654	-	36,654
Succeeding year	2,601,000	-	2,601,000
Income surtax	421,880	-	421,880
Accrued interest	2,023	-	2,023
Accounts	418	-	418
Due from other governments	292,285	-	292,285
Inventories	-	22,966	22,966
Restricted ISCAP assets (note 4):			
Accrued interest receivable	4,078	-	4,078
Capital assets, net of accumulated depreciation (note 5)	7,982,214	60,948	8,043,162
Total assets	14,542,589	114,907	14,657,496
Liabilities			
Accounts payable	138,229	-	138,229
Salaries and benefits payable	747,727	23,458	771,185
Due to other governments	172,271	-	172,271
Accrued interest payable	32,367	-	32,367
Deferred revenue:			
Succeeding year property tax	2,601,000	-	2,601,000
Other	30,834	-	30,834
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	8,654	-	8,654
Bonds payable	505,000	-	505,000
Portion due after one year:			
Early retirement	17,308	-	17,308
Bonds payable	4,560,000	-	4,560,000
Total liabilities	8,813,390	23,458	8,836,848

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 2,917,214	\$ 60,948	\$ 2,978,162
Restricted for:			
Categorical funding	22,506	-	22,506
Management levy	110,421	-	110,421
Physical plant and equipment levy	361,470	-	361,470
Other special revenue purposes	411,557	-	411,557
Debt service	254,600	-	254,600
Capital projects	382,965	-	382,965
Unrestricted	<u>1,268,466</u>	<u>30,501</u>	<u>1,298,967</u>
Total net assets	<u>\$ 5,729,199</u>	<u>\$ 91,449</u>	<u>\$ 5,820,648</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 5,020,937	\$ 778,535	\$ 739,105	\$ -
Support services:				
Student services	234,799	-	103,544	-
Instructional staff services	420,232	-	11,700	-
Administration services	770,167	-	5,649	-
Operation and maintenance of plant services	658,743	2,146	-	-
Transportation services	287,461	-	-	-
	<u>2,371,402</u>	<u>2,146</u>	<u>120,893</u>	<u>-</u>
Non-instructional programs	<u>61,259</u>	-	-	-
Other expenditures:				
Facilities acquisition	245,243	-	-	-
Long-term debt interest and fiscal charges	195,554	-	-	-
AEA flowthrough	287,197	-	287,197	-
Depreciation (unallocated) *	207,825	-	-	-
	<u>935,819</u>	<u>-</u>	<u>287,197</u>	<u>-</u>
Total governmental activities	<u>8,389,417</u>	<u>780,681</u>	<u>1,147,195</u>	<u>-</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>471,741</u>	<u>251,916</u>	<u>210,944</u>	<u>8,429</u>
Total	<u>\$ 8,861,158</u>	<u>\$ 1,032,597</u>	<u>\$ 1,358,139</u>	<u>\$ 8,429</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,503,297)	\$ -	\$ (3,503,297)
(131,255)	-	(131,255)
(408,532)	-	(408,532)
(764,518)	-	(764,518)
(656,597)	-	(656,597)
(287,461)	-	(287,461)
(2,248,363)	-	(2,248,363)
(61,259)	-	(61,259)
(245,243)	-	(245,243)
(195,554)	-	(195,554)
-	-	-
(207,825)	-	(207,825)
(648,622)	-	(648,622)
(6,461,541)	-	(6,461,541)
-	(452)	(452)
(6,461,541)	(452)	(6,461,993)

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Statewide sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 2,224,836	\$ -	\$ 2,224,836
454,398	-	454,398
131,233	-	131,233
509,000	-	509,000
469,806	-	469,806
3,208,025	-	3,208,025
52,052	91	52,143
27,405	-	27,405
7,076,755	91	7,076,846
615,214	(361)	614,853
5,113,985	91,810	5,205,795
\$ 5,729,199	\$ 91,449	\$ 5,820,648

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and pooled investments	\$ 1,903,234	\$ 236,228	\$ 260,413	\$ 802,162	\$ 3,202,037
Receivables:					
Property tax:					
Current year	27,416	1,777	6,154	1,307	36,654
Succeeding year	1,959,000	129,000	414,000	99,000	2,601,000
Income surtax	210,940	210,940	-	-	421,880
Accrued interest	-	-	-	2,023	2,023
Accounts	418	-	-	-	418
Due from other governments	133,143	-	-	159,142	292,285
Restricted ISCAP assets (note 4):					
Accrued interest receivable	4,078	-	-	-	4,078
 Total assets	 <u>\$ 4,238,229</u>	 <u>\$ 577,945</u>	 <u>\$ 680,567</u>	 <u>\$ 1,063,634</u>	 <u>\$ 6,560,375</u>

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Special Revenue Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 38,806	\$ 87,475	\$ -	\$ 11,948	\$ 138,229
Salaries and benefits payable	746,346	-	-	1,381	747,727
Due to other governments	172,271	-	-	-	172,271
Deferred revenue:					
Succeeding year property tax	1,959,000	129,000	414,000	99,000	2,601,000
Other	241,774	210,940	-	-	452,714
Total liabilities	3,158,197	427,415	414,000	112,329	4,111,941
Fund balances:					
Reserved for:					
Categorical funding	22,506	-	-	-	22,506
LOSST revenue bonds	-	-	102,000	-	102,000
LOSST revenue bonds sinking fund	-	-	105,400	-	105,400
Debt service	-	-	59,167	-	59,167
Unreserved:					
Designated for:					
Special instructional services	12,842	-	-	-	12,842
Wellness	6,399	-	-	-	6,399
Undesignated, reported in:					
General fund	1,038,285	-	-	-	1,038,285
Special revenue funds	-	150,530	-	547,940	698,470
Capital projects fund	-	-	-	403,365	403,365
Total fund balances	1,080,032	150,530	266,567	951,305	2,448,434
Total liabilities and fund balances	\$ 4,238,229	\$ 577,945	\$ 680,567	\$ 1,063,634	\$ 6,560,375

See notes to financial statements.

TIPTON 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	\$ 2,448,434
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,982,214
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	421,880
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.	(32,367)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,090,962)</u>
Net assets of governmental activities	\$ <u><u>5,729,199</u></u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General	Special Revenue Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,344,615	\$ 352,782	\$ 454,052	\$ 569,987	\$ 3,721,436
Tuition	432,158	-	-	-	432,158
Other	71,922	2,218	2,511	319,541	396,192
Intermediate sources	23,409	-	-	-	23,409
State sources	4,081,307	100	346	76	4,081,829
Federal sources	275,527	-	-	-	275,527
Total revenues	7,228,938	355,100	456,909	889,604	8,930,551
Expenditures:					
Current:					
Instruction	4,711,317	-	-	274,519	4,985,836
Support services:					
Student services	234,799	-	-	-	234,799
Instructional staff services	379,133	-	-	-	379,133
Administration services	721,328	-	-	48,839	770,167
Operation and maintenance of plant services	615,186	-	-	41,803	656,989
Transportation services	214,155	78,553	-	25,588	318,296
	2,164,601	78,553	-	116,230	2,359,384
Non-instructional programs	52,830	8,429	-	-	61,259
Other expenditures:					
Facilities acquisition	-	358,947	-	187,315	546,262
Long term debt:					
Principal	-	-	480,000	-	480,000
Interest and fiscal charges	-	-	199,558	-	199,558
AEA flowthrough	287,197	-	-	-	287,197
	287,197	358,947	679,558	187,315	1,513,017
Total expenditures	7,215,945	445,929	679,558	578,064	8,919,496
Excess (deficiency) of revenues over (under) expenditures	12,993	(90,829)	(222,649)	311,540	11,055

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General	Special Revenue Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total
Other financing sources (uses):					
Compensation for loss of capital assets	\$ 8,378	\$ -	\$ -	\$ -	\$ 8,378
Interfund transfers in	-	-	231,567	-	231,567
Interfund transfers out	-	-	-	(231,567)	(231,567)
Total other financing sources (uses)	<u>8,378</u>	<u>-</u>	<u>231,567</u>	<u>(231,567)</u>	<u>8,378</u>
Net change in fund balances	21,371	(90,829)	8,918	79,973	19,433
Fund balances beginning of year	<u>1,058,661</u>	<u>241,359</u>	<u>257,649</u>	<u>871,332</u>	<u>2,429,001</u>
Fund balances end of year	<u>\$ 1,080,032</u>	<u>\$ 150,530</u>	<u>\$ 266,567</u>	<u>\$ 951,305</u>	<u>\$ 2,448,434</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ 19,433

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 not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 395,363	
Depreciation expense	<u>(323,326)</u>	72,037

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 65,702

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 480,000

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,004

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

Early retirement	<u>(25,962)</u>
------------------	-----------------

Change in net assets of governmental activities \$ 615,214

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u> <u>Flexible</u> <u>Benefits</u>
Assets		
Cash and cash equivalents	\$ 30,993	\$ 5,283
Inventories	22,966	-
Capital assets, net of accumulated depreciation (note 5)	<u>60,948</u>	<u>-</u>
Total assets	<u>114,907</u>	<u>5,283</u>
Liabilities		
Salaries and benefits payable	<u>23,458</u>	<u>-</u>
Net Assets		
Invested in capital assets	60,948	-
Unrestricted	<u>30,501</u>	<u>5,283</u>
Total net assets	<u>\$ 91,449</u>	<u>\$ 5,283</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	<u>Enterprise</u> School Nutrition	<u>Internal</u> Service Flexible Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 251,916	\$ 41,538
Operating expenses:		
Non-instructional programs:		
Non-instructional operations:		
Salaries	139,250	-
Benefits	72,356	-
Purchased services	5,084	-
Supplies	239,222	-
Depreciation	15,829	-
Other	-	40,877
	<u>471,741</u>	<u>40,877</u>
Operating income (loss)	<u>(219,825)</u>	<u>661</u>
Non-operating revenues:		
Interest on investments	91	18
Contributions	52,830	-
Capital contributions	8,429	-
State sources	4,591	-
Federal sources	153,523	-
Total non-operating revenues	<u>219,464</u>	<u>18</u>
Change in net assets	(361)	679
Net assets beginning of year	<u>91,810</u>	<u>4,604</u>
Net assets end of year	<u>\$ 91,449</u>	<u>\$ 5,283</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	<u>Enterprise</u> School Nutrition	<u>Internal</u> Service Flexible Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 252,336	\$ -
Cash received from miscellaneous operating activities	-	41,538
Cash payments to employees for services	(158,001)	-
Cash payments to suppliers for goods or services	<u>(225,249)</u>	<u>(40,877)</u>
Net cash provided by (used by) operating activities	<u>(130,914)</u>	<u>661</u>
Cash flows from non-capital financing activities:		
State grants received	4,591	-
Federal grants received	<u>129,633</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>134,224</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(1,471)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>91</u>	<u>18</u>
Net increase in cash and cash equivalents	1,930	679
Cash and cash equivalents beginning of year	<u>29,063</u>	<u>4,604</u>
Cash and cash equivalents end of year	<u>\$ 30,993</u>	<u>\$ 5,283</u>

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	<u>Enterprise</u>	<u>Internal</u>
	<u>School</u>	<u>Service</u>
	<u>Nutrition</u>	<u>Flexible</u>
		<u>Benefits</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (219,825)	\$ 661
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	15,829	-
Commodities used	23,969	-
Contributed health insurance	52,830	-
Decrease in accounts receivable	420	-
(Increase) in inventories	(4,694)	-
(Decrease) in accounts payable	(218)	-
Increase in salaries and benefits payable	<u>775</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>\$ (130,914)</u>	<u>\$ 661</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$23,969 of federal commodities, \$52,830 of health insurance benefits contributed by the General Fund, and \$8,429 of equipment contributed by the Special Revenue, Physical Plant and Equipment Levy Fund.

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Cash and pooled investments	\$ 503,483	\$ 8,469
Accrued interest receivable	6,366	-
Total assets	509,849	8,469
Liabilities:		
Other payables	-	8,469
Net assets:		
Reserved for scholarships	\$ 509,849	\$ -

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2009

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 2,310	
Interest	<u>16,631</u>	
Total additions		<u>18,941</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>35,765</u>
Change in net assets	(16,824)	
Net assets beginning of year		<u>526,673</u>
Net assets end of year	\$	<u><u>509,849</u></u>
See notes to financial statements.		

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

Tipton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Tipton, Iowa, and agricultural territory in Cedar County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Tipton 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. Tipton 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cedar County Assessor's Conference Board.

The District appoints the trustees of the Tipton School Foundation, Inc. board, which is considered a related organization.

B. Basis of Presentation

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

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

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

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

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-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 nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Special Revenue, Physical Plant and Equipment Levy Fund is used to account for the payment of capital and related expenditures for building improvements and certain types of equipment.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

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

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

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.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2009 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-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
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible 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 represents 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, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2009.

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. A portion of fund balance has been designated for specific programs.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-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. Net assets restricted through enabling legislation as of June 30, 2009 consists of \$1,543,519.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the support services function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

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

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

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 2. Cash and Pooled Investments (continued)

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

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>2,444,792</u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>231,567</u>

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

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

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

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Accrued Interest Receivable</u>
2008-09A	6/26/2008	6/25/2009	\$ <u>4,078</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2008-09A	\$ <u>-</u>	\$ <u>100,000</u>	\$ <u>100,000</u>	\$ <u>-</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 4. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2008-09A	3.50%	3.469%

Note 5. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 43,300	\$ -	\$ -	\$ 43,300
Construction in progress	65,020	187,315	-	252,335
Total capital assets not being depreciated	<u>108,320</u>	<u>187,315</u>	<u>-</u>	<u>295,635</u>
Capital assets being depreciated:				
Buildings	10,344,521	-	-	10,344,521
Improvements other than buildings	464,173	87,475	-	551,648
Furniture and equipment	1,197,723	120,573	48,000	1,270,296
Total capital assets being depreciated	<u>12,006,417</u>	<u>208,048</u>	<u>48,000</u>	<u>12,166,465</u>
Less accumulated depreciation for:				
Buildings	3,122,738	181,691	-	3,304,429
Improvements other than buildings	303,286	23,363	-	326,649
Furniture and equipment	778,536	118,272	48,000	848,808
Total accumulated depreciation	<u>4,204,560</u>	<u>323,326</u>	<u>48,000</u>	<u>4,479,886</u>
Total capital assets being depreciated, net	<u>7,801,857</u>	<u>(115,278)</u>	<u>-</u>	<u>7,686,579</u>
Governmental activities capital assets, net	<u>\$ 7,910,177</u>	<u>\$ 72,037</u>	<u>\$ -</u>	<u>\$ 7,982,214</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 233,906	\$ 9,900	\$ -	\$ 243,806
Less accumulated depreciation	<u>167,029</u>	<u>15,829</u>	<u>-</u>	<u>182,858</u>
Business-type activities capital assets, net	<u>\$ 66,877</u>	<u>\$ (5,929)</u>	<u>\$ -</u>	<u>\$ 60,948</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction	\$ 14,621
Support services:	
Student services	51,408
Operation and maintenance of plant services	1,754
Transportation	<u>47,718</u>
	115,501
Unallocated depreciation	<u>207,825</u>
 Total governmental activities depreciation expense	 <u>\$ 323,326</u>
Business-type activities:	
Food service operations	<u>\$ 15,829</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ -	\$ 25,962	\$ -	\$ 25,962	\$ 8,654
General Obligation Bonds	4,365,000	-	320,000	4,045,000	335,000
Local Option Sales and Service Tax Revenue Bonds	1,180,000	-	160,000	1,020,000	170,000
Total	<u>\$ 5,545,000</u>	<u>\$ 25,962</u>	<u>\$ 480,000</u>	<u>\$ 5,090,962</u>	<u>\$ 513,654</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to 100 days of the applicant's base salary calculated by using the current year regular salary schedule, less any other additional pay. Early retirement benefits are paid either in a lump sum or annually over two or three years.

At June 30, 2009, the District has obligations to one participant with a total liability of \$25,962. There were no actual early retirement expenditures for the year ended June 30, 2009. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

Bonds Payable

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

Year Ending June 30,	General Obligation Bonds Issue dated January 5, 2005			
	Interest Rates	Principal	Interest	Total
2010	3.00 %	\$ 100,000	\$ 72,943	\$ 172,943
2011	3.15	100,000	69,943	169,943
2012	3.30	105,000	66,793	171,793
2013	3.35	110,000	63,327	173,327
2014	3.45	110,000	59,643	169,643
2015-2019	3.55-4.00	625,000	235,197	860,197
2020-2024	4.00-4.30	770,000	100,770	870,770
		<u>\$ 1,920,000</u>	<u>\$ 668,616</u>	<u>\$ 2,588,616</u>

Year Ending June 30,	General Obligation Bonds Refunding Issue dated March 15, 2005			
	Interest Rates	Principal	Interest	Total
2010	3.15 %	\$ 235,000	\$ 70,663	\$ 305,663
2011	3.30	240,000	63,260	303,260
2012	3.30	250,000	55,340	305,340
2013	3.30	260,000	47,090	307,090
2014	3.30	270,000	38,510	308,510
2015-2017	3.30-3.50	870,000	60,460	930,460
		<u>\$ 2,125,000</u>	<u>\$ 335,323</u>	<u>\$ 2,460,323</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2010	\$ 335,000	\$ 143,606	\$ 478,606
2011	340,000	133,203	473,203
2012	355,000	122,133	477,133
2013	370,000	110,417	480,417
2014	380,000	98,153	478,153
2015-2019	1,495,000	295,657	1,790,657
2020-2024	770,000	100,770	870,770
	<u>\$ 4,045,000</u>	<u>\$ 1,003,939</u>	<u>\$ 5,048,939</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2009 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	4.00 %	\$ 170,000	\$ 39,100	\$ 209,100
2011	4.00	175,000	32,300	207,300
2012	4.00	185,000	25,200	210,200
2013	4.00	190,000	17,700	207,700
2014	4.00	200,000	10,000	210,000
2015	4.00	100,000	2,000	102,000
		<u>\$ 1,020,000</u>	<u>\$ 126,300</u>	<u>\$ 1,146,300</u>

The District pledged future local option (statewide) sales and services tax revenues to repay the \$1,400,000 bonds issued in June 2006. The bonds were issued for the purpose of financing a portion of the costs of an elementary school upgrade. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 45 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,146,300. For the current year, \$205,600 of principal and interest were paid on the bonds and total statewide sales and services tax revenues were \$469,806.

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

- a) Commencing August 1, 2006 through June 1, 2007, monthly deposits of \$4,545 were required to be made to the Reserve Fund. Commencing July 1, 2007 monthly deposits of \$4,167 were required to be made to the Reserve Fund until the maximum reserve requirement of 10% of stated principal amount is met. The Reserve Fund is used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account.
- b) All proceeds from the local option sales and services tax shall be placed in the Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make monthly deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) All monies remaining in the Revenue Account after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2009. The required transfers were not made monthly to the sinking account but were made semiannually in the month prior to the payment date.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 7. Short-Term Debt Activity

During the year ended June 30, 2009, the District entered into short-term interfund loans from the General Fund to the Internal Service, Flexible Benefits Fund. The loans were necessary to provide temporary financing during periods of low cash flows due to timing differences between revenues withheld from employees and expenses.

A summary of the short-term debt activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
Interfund loans	\$ <u> -</u>	\$ <u> 15,700</u>	\$ <u> 15,700</u>	\$ <u> -</u>

Note 8. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Assets. The agreement provides for monthly lease payments of \$2,057 during the term of the lease.

The total lease payments under the lease agreement are as follows:

Year Ending June 30,	Payments
2010	\$ 24,684
2011	<u>16,456</u>
	<u>\$ 41,140</u>

Total payments under the lease agreement for the year ended June 30, 2009 were \$24,685.

Note 9. 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.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 9. Pension and Retirement Benefits (continued)

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 payroll for the year ended June 30, 2009. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$281,769, \$252,519, and \$224,846, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Tipton 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.

Note 11. 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 \$287,197 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.

Note 12. Construction Commitments

The District has entered into a contract totaling \$232,636 for stadium seating renovations. As of June 30, 2009, costs of \$223,386 had been incurred against the contract. The balance of \$9,250 remaining at June 30, 2009 will be paid as work on the project progresses.

Required Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2009

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 4,549,786	\$ 252,007	\$ 4,801,793	\$ 4,742,602	\$ 4,742,602	\$ 59,191
Intermediate sources	23,409	-	23,409	-	-	23,409
State sources	4,081,829	4,591	4,086,420	4,219,779	4,219,779	(133,359)
Federal sources	275,527	153,523	429,050	302,000	302,000	127,050
Total revenues	8,930,551	410,121	9,340,672	9,264,381	9,264,381	76,291
EXPENDITURES/EXPENSES:						
Instruction	4,985,836	-	4,985,836	5,087,837	5,087,837	102,001
Support services	2,359,384	-	2,359,384	2,354,363	2,354,363	(5,021)
Non-instructional programs	-	471,741	471,741	453,100	473,100	1,359
Other expenditures	1,513,017	-	1,513,017	1,597,054	1,597,054	84,037
Total expenditures/expenses	8,858,237	471,741	9,329,978	9,492,354	9,512,354	182,376
Excess (deficiency) of revenues over (under) expenditures/ expenses	72,314	(61,620)	10,694	(227,973)	(247,973)	258,667
Other financing sources, net and interfund contribution transfers	(52,881)	61,259	8,378	20,000	20,000	(11,622)
Excess (deficiency) of revenues, other financing sources and interfund contribution transfers over (under) expenditures/ expenses	19,433	(361)	19,072	(207,973)	(227,973)	247,045
Balance beginning of year	2,429,001	91,810	2,520,811	1,677,847	1,677,847	842,964
Balance end of year	\$ <u>2,448,434</u>	\$ <u>91,449</u>	\$ <u>2,539,883</u>	\$ <u>1,469,874</u>	\$ <u>1,449,874</u>	\$ <u>1,090,009</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

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 comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$20,000.

During the year ended June 30, 2009, expenditures in the support services function exceeded the amount budgeted.

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Other Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue				
	Management Levy	Student Activity	District Support Trust	Capital Projects	Total
Assets					
Cash and pooled investments	\$ 135,076	\$ 200,032	\$ 222,831	\$ 244,223	\$ 802,162
Receivables:					
Property tax:					
Current year	1,307	-	-	-	1,307
Succeeding year	99,000	-	-	-	99,000
Accrued interest	-	1,397	626	-	2,023
Due from other governments	-	-	-	159,142	159,142
Total assets	\$ 235,383	\$ 201,429	\$ 223,457	\$ 403,365	\$ 1,063,634
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 11,933	\$ 15	\$ -	\$ 11,948
Salaries and benefits payable	-	1,381	-	-	1,381
Deferred revenue:					
Succeeding year property tax	99,000	-	-	-	99,000
Total liabilities	99,000	13,314	15	-	112,329
Fund balances:					
Unreserved:					
Undesignated	136,383	188,115	223,442	403,365	951,305
Total liabilities and fund balances	\$ 235,383	\$ 201,429	\$ 223,457	\$ 403,365	\$ 1,063,634

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	Special Revenue				Total
	Management Levy	Student Activity	District Support Trust	Capital Projects	
Revenues:					
Local sources:					
Local tax	\$ 100,181	\$ -	\$ -	\$ 469,806	\$ 569,987
Other	12,179	297,890	6,682	2,790	319,541
State sources	76	-	-	-	76
Total revenues	112,436	297,890	6,682	472,596	889,604
Expenditures:					
Current:					
Instruction	-	270,624	3,895	-	274,519
Support services:					
Administration services	48,833	6	-	-	48,839
Operation and maintenance of plant services	41,685	118	-	-	41,803
Transportation services	7,960	17,628	-	-	25,588
Other expenditures:					
Facilities acquisition	-	-	-	187,315	187,315
Total expenditures	98,478	288,376	3,895	187,315	578,064
Excess (deficiency) of revenues over (under) expenditures	13,958	9,514	2,787	285,281	311,540
Other financing uses:					
Interfund transfers out	-	-	-	(231,567)	(231,567)
Net change in fund balances	13,958	9,514	2,787	53,714	79,973
Fund balances beginning of year	122,425	178,601	220,655	349,651	871,332
Fund balances end of year	\$ 136,383	\$ 188,115	\$ 223,442	\$ 403,365	\$ 951,305

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama Club	\$ 2,318	\$ 6,058	\$ 4,068	\$ 4,308
Forensics	5,213	3,687	3,968	4,932
Choir	2,318	7,345	8,088	1,575
Instrumental Music	3,598	3,024	1,705	4,917
Middle School Music	515	1,263	1,325	453
High School Band Color Guard	(262)	1,417	683	472
High School Athletics	35,657	4,199	29,098	10,758
Cross Country Special	969	3,856	4,303	522
Golf Special	104	3,044	3,148	-
Boys Basketball Special	110	11,225	10,342	993
Football Special	4,247	21,962	23,017	3,192
Baseball Special	642	5,942	6,584	-
Boys Track Special	2,500	6,201	5,939	2,762
Wrestling Special	2,196	9,983	10,479	1,700
Girls Basketball Special	357	17,741	15,144	2,954
Volleyball Special	5,465	8,352	7,934	5,883
Softball Special	3,265	8,903	7,278	4,890
Girls Track Special	1,601	7,454	7,328	1,727
Athletic Strength & Conditioning	1,271	9,832	3,610	7,493
Girls Swimming Special	629	3,165	3,707	87
Academic Decathlon	6	1,403	1,409	-
Art Club	388	3,891	3,370	909
Thespians	582	3,981	4,024	539
Honor Society	(81)	806	725	-
Football Cheerleaders	329	11,697	10,695	1,331
Basketball Cheerleaders	420	-	-	420
Wrestling Cheerleaders	497	2,009	1,517	989
High School Student Council	6,031	5,081	3,307	7,805
FFA	6,510	28,009	25,174	9,345
Yearbook	3,165	10,745	4,973	8,937
Spanish	217	-	-	217
Elementary Grade Fund	7,992	12,557	14,599	5,950
Invention Convention	119	-	-	119
Middle School Yearbook	(298)	1,716	1,594	(176)
Middle School Activity Fund	77	9,311	8,981	407
Middle School Athletics	(6,654)	22,665	16,011	-
MDT Fund	861	2,301	2,017	1,145
Middle School Lifeskills	530	-	-	530
Jump Rope for Heart	702	-	-	702
Elementary Library	260	3,686	3,946	-
Middle School Student Council	128	1,072	963	237

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Gifted and Talented	\$ 199	\$ -	\$ -	\$ 199
Elementary TAG	321	-	-	321
Class of 2009	385	-	385	-
Class of 2010	695	16,956	16,242	1,409
Class of 2011	227	1,150	551	826
Class of 2012	-	200	22	178
Tigerette Dance Squad	2,256	7,941	6,824	3,373
Investment Account Interest	78,999	5,695	2,204	82,490
Special Projects	1,019	364	1,095	288
Activity Tickets	6	1	-	7
Total	\$ 178,601	\$ 297,890	\$ 288,376	\$ 188,115

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2009

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>7,843</u>	\$ <u>6,889</u>	\$ <u>6,263</u>	\$ <u>8,469</u>
Liabilities				
Other payables	\$ <u>7,843</u>	\$ <u>6,889</u>	\$ <u>6,263</u>	\$ <u>8,469</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 3,721,436	\$ 3,705,645	\$ 3,499,396	\$ 3,347,746	\$ 3,141,934
Tuition	432,158	564,210	557,699	575,238	418,697
Other	396,192	515,771	455,001	505,022	345,796
Intermediate sources	23,409	28,510	33,830	-	-
State sources	4,081,829	3,963,555	3,492,687	3,418,405	3,282,078
Federal sources	275,527	147,642	177,607	186,231	215,590
Total revenues	\$ 8,930,551	\$ 8,925,333	\$ 8,216,220	\$ 8,032,642	\$ 7,404,095
Expenditures:					
Instruction	\$ 4,985,836	\$ 4,740,671	\$ 4,541,923	\$ 4,260,694	\$ 4,329,539
Support services:					
Student services	234,799	224,472	208,885	198,545	186,142
Instructional staff services	379,133	357,069	306,552	399,113	438,747
Administration services	770,167	750,366	698,086	712,732	668,015
Operation and maintenance					
of plant services	656,989	612,096	609,347	571,910	562,547
Transportation services	318,296	313,045	216,528	207,774	156,664
Non-instructional programs	61,259	46,322	-	-	39,178
Other expenditures:					
Facilities acquisition	546,262	194,041	1,113,924	981,799	2,468,005
Long-term debt:					
Principal	480,000	600,732	466,512	3,053,645	268,645
Interest and fiscal charges	199,558	220,324	195,487	402,845	263,245
AEA flowthrough	287,197	273,614	247,228	237,619	231,345
Total expenditures	\$ 8,919,496	\$ 8,332,752	\$ 8,604,472	\$ 11,026,676	\$ 9,612,072

See accompanying independent auditor's report.

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
Tipton 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 Tipton 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 September 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Tipton 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 an opinion on the effectiveness of Tipton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tipton 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 the 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.

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 Tipton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Tipton Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Tipton 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. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tipton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Tipton Community School 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.

Tipton 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 Tipton 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 Tipton Community School District and other parties to whom Tipton 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 Tipton 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.

Oskaloosa, Iowa
September 11, 2009

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

I-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the same individual performs the following duties: recording and processing cash receipts and bank deposits, recording disbursements and preparing and distributing checks, and preparing bank reconciliations in the various funds.

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

Response – We will review our procedures and implement changes to improve controls as we deem necessary.

Conclusion – Response accepted.

I-B-09 Disbursements – Out of forty disbursements tested, three were not fully supported by an invoice or receipt prior to the check being released for payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the check being released for payment.

Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.

Conclusion – Response accepted.

I-C-09 Fundraisers – Supporting documentation for fundraiser income is being kept by individual activity club sponsors. There are no set procedures in place to review this information for completeness and accuracy other than review by the activity sponsor, who is also responsible for the initial collection of fundraising income.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

Part I: Findings Related to the Basic Financial Statements (continued):

Significant Deficiencies (continued):

I-C-09 Fundraisers (continued)

Recommendation – The District should develop some type of summary form and procedures which would include reviewing supporting documentation for fundraisers in order to account for the completeness and accuracy of revenues recorded. For example, you could have the activity sponsor summarize budgeted, expected, and actual results on a spreadsheet which can be compared to actual fundraising receipts recorded once the fundraiser is completed. Any revenues short or long can then be explained on the form. This form should be reviewed and initialed by either the Activity Director, Principal, or Secretary as applicable. Whoever is reviewing these fundraiser summary forms should also verify in detail the information on a couple of forms each year. This can be done by tracing the information on the form to the supporting documentation kept by the activity sponsor i.e. sales sheets, order forms, etc. We realize verifying every fundraiser would be time consuming so not every fundraiser needs to be verified in detail. Checking a few each year will let the activity sponsors realize that someone may be reviewing their records.

Response – We have prepared a fundraiser summary form and we will be using it next year.

Conclusion – Response accepted.

I-D-09 Fundraiser – We noted an athletic fundraiser where the coach collected the money and paid the invoice directly. Only the profits were then turned in to the District.

Recommendation – All fundraisers should run through the District. All receipts should be turned in to the District intact and all related expenses should be paid through the normal disbursement process. Otherwise, revenues and expenditures are both understated and the budget and District oversight are bypassed.

Response – We will try to make sure all future fundraisers are properly run through the District.

Conclusion – Response accepted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget – Expenditures for the year ended June 30, 2009, exceeded the amount budget in the support services function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

II-B-09 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bill Schwitzer, Board Member	Coach	\$2,499

In accordance with Chapter 279.7A of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 for the fiscal year.

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

II-F-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-09 Deposits and Investments – 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 were noted.

II-I-09 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

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

- II-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance	\$	-
Statewide sales and services tax revenue		469,806
Expenditures/transfers out:		
Debt service for school infrastructure:		
Revenue bond debt		<u>66,441</u>
Ending balance	\$	<u><u>403,365</u></u>

- II-L-09 General Fund Subsidy of School Nutrition Fund – We noted during the audit that the General Fund is subsidizing the School Nutrition Fund by paying for the employees’ health insurance. During the year ended June 30, 2009, the General Fund contributed \$52,830 to the School Nutrition fund to pay for employee benefits. This is considered to be a permanent transfer since the School Nutrition Fund is not expected to repay the General Fund for these benefits.

Recommendation – The School Nutrition Fund is supposed to support its own operations through the collection of fees for meals served, without subsidy from other District funds. The District should consider alternatives to make the School Nutrition Fund entirely self-sufficient.

Response – We will investigate alternatives to eliminate future subsidizing of the School Nutrition Fund by other District funds.

Conclusion – Response accepted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

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

II-M-09 Revenue Bonds – The required monthly transfers to the Sinking Fund were not made by the District. Semiannual transfers were made in the month prior to the payment date.

Recommendation – The District should make monthly transfers to the Sinking Fund as required by the revenue bond resolution.

Response – We will make the transfers monthly.

Conclusion – Response accepted.

II-N-09 Interfund Loans – The District made short-term interfund loans from the General Fund to the Internal Service, Flexible Benefits Fund during the year ended June 30, 2009. These loans were not made by Board resolution as required by an Iowa Department of Education declaratory order.

Recommendation – Any interfund loan should be accomplished through a Board resolution.

Response – We will have a Board resolution to authorize any future interfund loans.

Conclusion – Response accepted.