

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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North Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2009 Election)</b>		
Dave Stuart	President	2009
Gretchen Pargeon	Vice President	2009
Richard Arp	Board Member	2011
John Hayek	Board Member	2011
Robert Young	Board Member	2011
Diane Panfil	Board Member	2009
Judy Robb	Board Member	2009
<b>Board of Education (After September 2009 Election)</b>		
Gretchen Pargeon	President	2013
Robert Young	Vice President	2011
Dave Stuart	Board Member	2013
Judy Robb	Board Member	2013
Trisha Kennedy	Board Member	2013
John Hayek	Board Member	2011
Richard Arp	Board Member	2011
<b>School Officials</b>		
Gary Janssen	Superintendent	2010
Terrill Karr	District Secretary/ Business Manager	2010
Roan, Powell & Reinders	Attorney	2010

**North Tama County Community  
School District**

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District, Traer Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2011 on our consideration of North Tama County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Tama County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2011

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

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North Tama County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$5,106,226 in fiscal 2009 to \$4,933,240 in fiscal 2010 due in part to the reduction of funding received from the state because of the September 25, 2009 ten percent across-the-board cut. General Fund expenditures increased from \$4,931,020 in fiscal 2009 to \$5,006,138 in fiscal 2010 due in part to increases in salaries and benefits received by District employees. This resulted in a decrease in the District's fund balance from \$763,412 in fiscal 2009 to \$690,514 in fiscal 2010, which was a 9.55% decrease from the prior year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased as compared to fiscal 2009. At June 30, 2009 the District's solvency ratio was 13.23% as compared to 11.84% at June 30, 2010. The State School Budget Review Committee recommends a solvency ratio between 5% - 10%.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

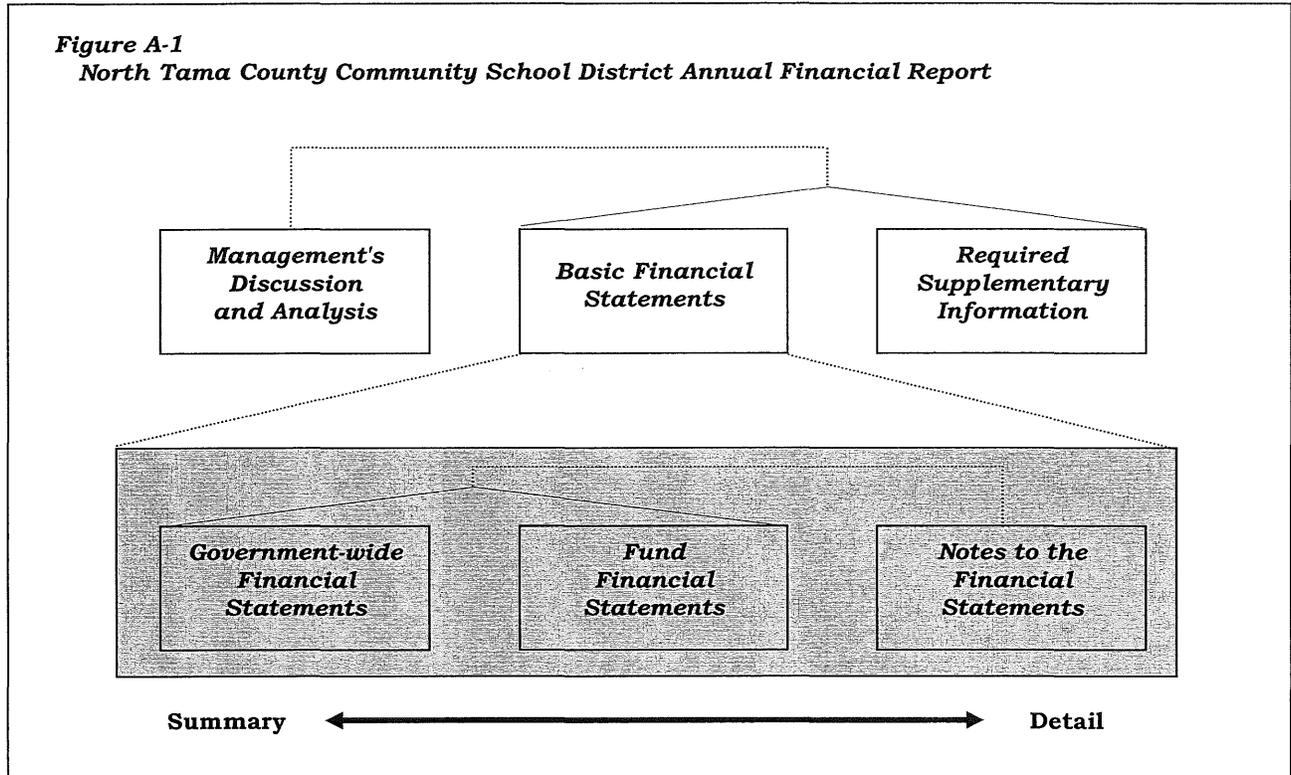


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

**Figure A-2**  
**Major Features of the Government-Wide and Fund Financial Statements**

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and other Enterprise Funds, which includes the Book Fair, JET and NT & S funds.

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

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

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 4,757,045	7,734,947	\$ 82,408	52,544	\$ 4,839,453	7,787,491	-37.86%
Capital assets	4,547,719	2,327,005	22,233	27,031	4,569,952	2,354,036	94.13%
Total assets	9,304,764	10,061,952	104,641	79,575	9,409,405	10,141,527	-7.22%
Long-term liabilities	3,561,943	3,500,000	2,223	0	3,564,166	3,500,000	1.83%
Other liabilities	2,279,891	3,001,886	450	757	2,280,341	3,002,643	-24.06%
Total liabilities	5,841,834	6,501,886	2,673	757	5,844,507	6,502,643	-10.12%
Net assets:							
Invested in capital assets	1,717,907	1,785,908	22,233	27,031	1,740,140	1,812,939	-4.02%
Restricted	1,065,483	922,858	0	0	1,065,483	922,858	15.45%
Unrestricted	679,540	851,300	79,735	51,787	759,275	903,087	-15.92%
Total net assets	\$ 3,462,930	3,560,066	\$ 101,968	78,818	\$ 3,564,898	3,638,884	-2.03%

The District's combined net assets decreased by 2.03% or \$73,986 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 15.45% or \$142,625 over the prior year. The main reason for the increase in restricted net assets was the increases in fund balance for the Management Levy Fund and the Physical Plant and Equipment Levy Funds.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased approximately 15.92% or \$143,812 from the prior year. The primary reason for the decrease in unrestricted net assets was the decrease in the fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4  
Changes of Net Assets

	Governmental		Business type		Total		Total Change 2009-10
	Activities		Activities		School District		
	2010	2009	2010	2009	2010	2009	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 498,984	511,106	\$ 150,779	181,486	649,763	692,592	-6.18%
Operating grants and contributions and restricted interest	1,023,638	965,459	113,068	90,420	1,136,706	1,055,879	7.65%
Capital grants and contributions and restricted interest	27,100	24,615	0	0	27,100	24,615	10.10%
General revenues:							
Property tax	2,018,892	1,855,856	0	0	2,018,892	1,855,856	8.78%
Income surtax	275,365	266,751	0	0	275,365	266,751	3.23%
Statewide sales, service and use tax	330,894	208,083	0	0	330,894	208,083	59.02%
Unrestricted state grants	1,507,180	1,971,587	0	0	1,507,180	1,971,587	-23.55%
Other revenue	76,418	50,309	26,663	226	103,081	50,535	103.98%
Transfers	439	(3,033)	(439)	3,033	0	0	0.00%
Total revenues and transfers	<u>5,758,910</u>	<u>5,850,733</u>	<u>290,071</u>	<u>275,165</u>	<u>6,048,981</u>	<u>6,125,898</u>	<u>-1.26%</u>
Program expenses:							
Governmental activities:							
Instructional	3,645,500	3,552,361	0	0	3,645,500	3,552,361	2.62%
Support services	1,564,303	1,546,471	14,977	13,591	1,579,280	1,560,062	1.23%
Non-instructional programs	0	0	251,944	243,754	251,944	243,754	3.36%
Other expenses	646,243	391,056	0	0	646,243	391,056	65.26%
Total expenses	<u>5,856,046</u>	<u>5,489,888</u>	<u>266,921</u>	<u>257,345</u>	<u>6,122,967</u>	<u>5,747,233</u>	<u>6.54%</u>
Change in net assets	(97,136)	360,845	23,150	17,820	(73,986)	378,665	-119.54%
Net assets beginning of year	<u>3,560,066</u>	<u>3,199,221</u>	<u>78,818</u>	<u>60,998</u>	<u>3,638,884</u>	<u>3,260,219</u>	<u>11.61%</u>
Net assets end of year	<u>\$ 3,462,930</u>	<u>3,560,066</u>	<u>\$ 101,968</u>	<u>78,818</u>	<u>3,564,898</u>	<u>3,638,884</u>	<u>-2.03%</u>

In fiscal 2010, property tax, income surtax and unrestricted state grants accounted for 66.01% of the revenue from governmental activities while charges for services and operating grants and contributions account for 90.96% of the revenue from business type activities.

The District's total revenues were approximately \$6.05 million of which \$5.76 million was for governmental activities and slightly more than \$0.29 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 1.26% in revenues and a 6.54% increase in expenses. Property tax increased \$163,036 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

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## Governmental Activities

Revenues for governmental activities were \$5,758,910 and expenses were \$5,856,046 for the year ended June 30, 2010. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 3,645,500	3,552,361	2.62%	2,387,042	2,375,001	0.51%
Support services	1,564,303	1,546,471	1.15%	1,523,093	1,519,795	0.22%
Other expenses	646,243	391,056	65.26%	396,189	93,912	321.87%
Totals	<u>\$ 5,856,046</u>	<u>5,489,888</u>	<u>6.67%</u>	<u>4,306,324</u>	<u>3,988,708</u>	<u>7.96%</u>

- The cost financed by users of the District's programs was \$498,984.
- The federal and state government subsidized certain programs with operating and capital grants and contributions totaling \$1,050,738.
- The net cost portion of governmental activities was financed with \$2,018,892 in property tax, \$275,365 in income surtax, \$330,894 in statewide sales, service and use tax and \$1,507,180 in unrestricted state grants.

## Business type Activities

The District's business type activities are the School Nutrition Fund, and other Enterprise Funds. Revenues of the District's business type activities totaled \$290,071 in 2010, which is an increase of 29.37% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 3.72% to \$266,921 for business type activities in 2010.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,319,539; a decrease of \$2,237,787, below last year's ending fund balances of \$4,557,326. However, the primary reason for the decrease in combined fund balances is because of continuing construction costs associated with the construction of the addition to the high school.

## Governmental Fund Highlights

- The District's decrease in the General Fund financial position is the result of many factors. The General Fund balance decreased from \$763,412 in fiscal 2009 to \$690,514 in fiscal 2010. General Fund revenues decreased primarily because of the ten percent across the

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board cut in state funding. The increase in expenditures was mainly due to increases in salaries and benefits received by District employees. The combination of these two factors ensured the decrease in General Fund balance.

- The Capital Projects Fund balance decreased from \$3,287,175 in fiscal 2009 to \$1,058,498 in fiscal 2010. The decrease in fund balance is mainly due to continuing construction costs for the addition to the high school. Construction should be completed during fiscal 2011.

### **Proprietary Fund Highlights**

- School Nutrition Fund ending cash balance increased \$25,085 from previous year.
- The School Nutrition Fund balance increased from \$73,590 in fiscal 2009 to \$92,528 in fiscal 2010.
- The Other Enterprise Funds balance increased from a fund balance of \$5,228 in fiscal 2009 to a fund balance of \$9,440 in fiscal 2010.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$131,571 less than budgeted receipts a variance of 2.14%. Although total revenues were less than anticipated, the most significant variance resulted from the District receiving more in federal sources than originally anticipated because of funds received from the American Recovery and Reinvestment Act.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2010, the District had invested \$4,569,952, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$120,481.

The original cost of the District's capital assets was \$7,735,609. Governmental funds account for \$7,657,114, with the remainder of \$78,495 accounted for in the Proprietary School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$541,097 at June 30, 2009, compared to \$2,829,812 reported at June 30, 2010. This increase resulted from costs associated with the addition being built on to the high school.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 116,414	116,414	\$ 0	0	\$ 116,414	116,414	0.00%
Construction in progress	2,829,812	541,097	0	0	2,829,812	541,097	422.98%
Buildings	1,333,141	1,366,029	0	0	1,333,141	1,366,029	-2.41%
Improvements other than buildings	188,377	197,503	0	0	188,377	197,503	-4.62%
Machinery and equipment	79,975	105,962	22,233	27,031	102,208	132,993	-23.15%
Total	\$ 4,547,719	2,327,005	\$ 22,233	27,031	\$ 4,569,952	2,354,036	94.13%

### Long-Term Debt

At June 30, 2010, the District had \$3,564,166 in total long-term debt outstanding. This represents a 1.83% increase from the previous year. (See figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenue bonds	\$ 3,500,000	3,500,000	\$ 0	0	\$ 3,500,000	3,500,000	0.00%
Net OPEB liability	61,943	0	2,223	0	64,166	0	100.00%
Total	\$ 3,561,943	3,500,000	\$ 2,223	0	\$ 3,564,166	3,500,000	1.83%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- Maintaining enrollment will be extremely important for the District in their efforts to remain as a viable K-12 school district.
- Efforts to contain costs – especially in the area of health insurance – must be continued and expanded.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Terrill Karr, Business Manager, North Tama County Community School District, 605 Walnut Street, Traer, Iowa, 50675.

**North Tama County Community  
School District**

BASIC FINANCIAL STATEMENTS

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,162,370	69,316	2,231,686
Receivables:			
Property tax:			
Delinquent	27,945	0	27,945
Succeeding year	2,039,061	0	2,039,061
Income surtax	232,985	0	232,985
Accounts	6,123	1,594	7,717
Due from other governments	288,561	0	288,561
Inventories	0	11,498	11,498
Capital assets, net of accumulated depreciation	4,547,719	22,233	4,569,952
<b>Total Assets</b>	<b>9,304,764</b>	<b>104,641</b>	<b>9,409,405</b>
<b>Liabilities</b>			
Salaries and benefits payable	1,061	0	1,061
Accounts payable	149,716	0	149,716
Accrued interest payable	75,370	0	75,370
Deferred revenue:			
Succeeding year property tax	2,039,061	0	2,039,061
Other	14,683	0	14,683
Unearned revenue	0	450	450
Long-term liabilities:			
Portion due after one year:			
Revenue bonds payable	3,500,000	0	3,500,000
Net OPEB liability	61,943	2,223	64,166
<b>Total Liabilities</b>	<b>5,841,834</b>	<b>2,673</b>	<b>5,844,507</b>
<b>Net Assets</b>			
Invested in capital assets	1,717,907	22,233	1,740,140
Restricted for:			
Categorical funding	106,646	0	106,646
Management levy	104,815	0	104,815
Physical plant and equipment levy	41,902	0	41,902
Capital projects	388,310	0	388,310
Debt service levy	364,671	0	364,671
Other special revenue purposes	59,139	0	59,139
Unrestricted	679,540	79,735	759,275
<b>Total Net Assets</b>	<b>\$ 3,462,930</b>	<b>101,968</b>	<b>3,564,898</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,286,203	158,527	616,457	0	(1,511,219)	0	(1,511,219)
Special	529,315	42,406	121,628	0	(365,281)	0	(365,281)
Other	829,982	257,170	62,270	0	(510,542)	0	(510,542)
	<u>3,645,500</u>	<u>458,103</u>	<u>800,355</u>	<u>0</u>	<u>(2,387,042)</u>	<u>0</u>	<u>(2,387,042)</u>
Support services:							
Student	178,585	0	0	0	(178,585)	0	(178,585)
Instructional staff	100,009	0	0	0	(100,009)	0	(100,009)
Administration	594,147	0	0	0	(594,147)	0	(594,147)
Operation and maintenance							
of plant	389,004	0	0	0	(389,004)	0	(389,004)
Transportation	302,558	40,881	329	0	(261,348)	0	(261,348)
	<u>1,564,303</u>	<u>40,881</u>	<u>329</u>	<u>0</u>	<u>(1,523,093)</u>	<u>0</u>	<u>(1,523,093)</u>
Other expenditures:							
Facilities acquisitions	212,023	0	0	27,100	(184,923)	0	(184,923)
Long-term debt interest	151,490	0	0	0	(151,490)	0	(151,490)
AEA flowthrough	222,954	0	222,954	0	0	0	0
Depreciation(unallocated)*	59,776	0	0	0	(59,776)	0	(59,776)
	<u>646,243</u>	<u>0</u>	<u>222,954</u>	<u>27,100</u>	<u>(396,189)</u>	<u>0</u>	<u>(396,189)</u>
Total governmental activities	5,856,046	498,984	1,023,638	27,100	(4,306,324)	0	(4,306,324)
Business type activities:							
Support services:							
Administration	12,107	0	0	0	0	(12,107)	(12,107)
Operation and maintenance							
of plant	2,870	0	0	0	0	(2,870)	(2,870)
	<u>14,977</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(14,977)</u>	<u>(14,977)</u>
Non-instructional programs:							
Nutrition services	230,774	150,779	113,068	0	0	33,073	33,073
Enterprise	21,170	0	0	0	0	(21,170)	(21,170)
	<u>251,944</u>	<u>150,779</u>	<u>113,068</u>	<u>0</u>	<u>0</u>	<u>11,903</u>	<u>11,903</u>
Total business type activities	266,921	150,779	113,068	0	0	(3,074)	(3,074)
Total	\$ 6,122,967	649,763	1,136,706	27,100	(4,306,324)	(3,074)	(4,309,398)
<b>General Revenues and Transfers:</b>							
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,962,841	0	1,962,841
Capital outlay					56,051	0	56,051
Income surtax					275,365	0	275,365
Statewide sales, services and use tax					330,894	0	330,894
Unrestricted state grants					1,507,180	0	1,507,180
Unrestricted investment earnings					48,917	168	49,085
Other general revenues					27,501	26,495	53,996
Transfers					439	(439)	0
Total general revenues and transfers					<u>4,209,188</u>	<u>26,224</u>	<u>4,235,412</u>
Changes in net assets					(97,136)	23,150	(73,986)
Net assets beginning of year					<u>3,560,066</u>	<u>78,818</u>	<u>3,638,884</u>
Net assets end of year					<u>\$ 3,462,930</u>	<u>101,968</u>	<u>3,564,898</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 555,246	1,038,893	568,231	2,162,370
Receivables:				
Property tax:				
Delinquent	25,649	0	2,296	27,945
Succeeding year	1,902,868	0	136,193	2,039,061
Income surtax	232,985	0	0	232,985
Accounts	4,908	1,215	0	6,123
Due from other governments	120,455	168,106	0	288,561
<b>Total Assets</b>	<b>\$ 2,842,111</b>	<b>1,208,214</b>	<b>706,720</b>	<b>2,594,675</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Salaries and benefits payable	\$ 1,061	0	0	1,061
Accounts payable	0	149,716	0	149,716
Deferred revenue:				
Succeeding year property tax	1,902,868	0	136,193	2,039,061
Income surtax	232,985	0	0	232,985
Other	14,683	0	0	14,683
Total liabilities	2,151,597	149,716	136,193	2,437,506
Fund balances:				
Reserved for:				
Construction	0	670,188	0	670,188
Debt service	0	0	364,671	364,671
Categorical funding	106,646	0	0	106,646
Unreserved	583,868	388,310	205,856	1,178,034
Total fund balances	690,514	1,058,498	570,527	2,319,539
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,842,111</b>	<b>1,208,214</b>	<b>706,720</b>	<b>4,757,045</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2010

<b>Total fund balances of governmental funds (page 20)</b>	\$	2,319,539
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		4,547,719
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.		(75,370)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		232,985
Long-term liabilities, including revenue bonds payable and other postemployment benefits are not due and payable in the current period and, therefore are not reported in the funds.		<u>(3,561,943)</u>
<b>Net assets of governmental activities (page 18)</b>	<b>\$</b>	<b><u>3,462,930</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,108,919	330,894	165,773	2,605,586
Tuition	182,271	0	0	182,271
Other	136,124	35,894	248,431	420,449
State sources	2,067,204	0	113	2,067,317
Federal sources	438,283	0	25,000	463,283
Total revenues	4,932,801	366,788	439,317	5,738,906
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,243,064	0	4,430	2,247,494
Special	529,315	0	0	529,315
Other	551,062	0	282,941	834,003
	3,323,441	0	287,371	3,610,812
Support services:				
Student	176,063	0	0	176,063
Instructional staff	88,804	0	0	88,804
Administration	587,884	0	720	588,604
Operation and maintenance of plant	350,116	0	36,078	386,194
Transportation	256,876	0	14,520	271,396
	1,459,743	0	51,318	1,511,061
Other expenditures:				
Facilities acquisitions	0	2,444,752	73,748	2,518,500
Long-term debt:				
Interest	0	0	113,805	113,805
AEA flowthrough	222,954	0	0	222,954
	222,954	2,444,752	187,553	2,855,259
Total expenditures	5,006,138	2,444,752	526,242	7,977,132
Deficiency of revenues under expenditures	(73,337)	(2,077,964)	(86,925)	(2,238,226)
Other financing sources(uses):				
Transfers in	439	0	150,713	151,152
Transfers out	0	(150,713)	0	(150,713)
Total other financing sources(uses)	439	(150,713)	150,713	439
Net change in fund balances	(72,898)	(2,228,677)	63,788	(2,237,787)
Fund balance beginning of year	763,412	3,287,175	506,739	4,557,326
Fund balance end of year	\$ 690,514	1,058,498	570,527	2,319,539

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ (2,237,787)

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

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

Capital outlays	\$ 2,336,397	
Depreciation expense	<u>(115,683)</u>	2,220,714

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (37,685)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 19,565

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:

Other postemployment benefits	<u>(61,943)</u>
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Changes in net assets of governmental activities (page 19) \$ (97,136)

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010

	School Nutrition	Other Enterprise Funds	Total
<b>ASSETS</b>			
Current assets:			
Cash and pooled investments	\$ 59,876	9,440	69,316
Accounts receivable	1,594	0	1,594
Inventories	11,498	0	11,498
Total current assets	<u>72,968</u>	<u>9,440</u>	<u>82,408</u>
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation	22,233	0	22,233
Total non-current assets	<u>22,233</u>	<u>0</u>	<u>22,233</u>
<b>TOTAL ASSETS</b>	<u>95,201</u>	<u>9,440</u>	<u>104,641</u>
<b>LIABILITIES</b>			
Current liabilities:			
Unearned revenue	450	0	450
Total current liabilities	<u>450</u>	<u>0</u>	<u>450</u>
Long-term liabilities:			
Net OPEB liability	2,223	0	2,223
Total long-term liabilities	<u>2,223</u>	<u>0</u>	<u>2,223</u>
<b>TOTAL LIABILITIES</b>	<u>2,673</u>	<u>0</u>	<u>2,673</u>
<b>NET ASSETS</b>			
Invested in capital assets	22,233	0	22,233
Unrestricted	70,295	9,440	79,735
<b>TOTAL NET ASSETS</b>	<u>\$ 92,528</u>	<u>9,440</u>	<u>101,968</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010

	School Nutrition	Other Enterprise Funds	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 150,779	0	150,779
Miscellaneous	1,143	25,352	26,495
TOTAL OPERATING REVENUES	151,922	25,352	177,274
OPERATING EXPENSES:			
Support services:			
Administration:			
Salaries	9,863	0	9,863
Benefits	1,410	0	1,410
Supplies	834	0	834
	12,107	0	12,107
Operation and maintenance of plant:			
Services	2,119	0	2,119
Supplies	751	0	751
	2,870	0	2,870
Total support services	14,977	0	14,977
Non-instructional programs:			
Food service operations:			
Salaries	72,616	0	72,616
Benefits	26,218	0	26,218
Supplies	127,142	0	127,142
Depreciation	4,798	0	4,798
	230,774	0	230,774
Other enterprise operations:			
Salaries	0	5,068	5,068
Benefits	0	725	725
Services	0	799	799
Supplies	0	14,578	14,578
	0	21,170	21,170
Total non-instructional programs	230,774	21,170	251,944
TOTAL OPERATING EXPENSES	245,751	21,170	266,921
OPERATING INCOME (LOSS)	(93,829)	4,182	(89,647)
NON-OPERATING REVENUES:			
State sources	2,562	0	2,562
Federal sources	110,506	0	110,506
Interest income	138	30	168
TOTAL NON-OPERATING REVENUES	113,206	30	113,236
Change in net assets before other financing uses	19,377	4,212	23,589
OTHER FINANCING USES:			
Transfer out	(439)	0	(439)
Change in net assets	18,938	4,212	23,150
Net assets beginning of year	73,590	5,228	78,818
Net assets end of year	\$ 92,528	9,440	101,968

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010

	School Nutrition	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 150,144	0	150,144
Cash received from miscellaneous operating activities	1,143	26,022	27,165
Cash payments to employees for services	(107,884)	(5,793)	(113,677)
Cash payments to suppliers for goods or services	(106,720)	(15,486)	(122,206)
Net cash provided by(used in) operating activities	<u>(63,317)</u>	<u>4,743</u>	<u>(58,574)</u>
Cash flows from non-capital financing activities:			
Transfer to General Fund	(439)	0	(439)
State grants received	2,562	0	2,562
Federal grants received	86,141	0	86,141
Net cash provided by non-capital financing activities	<u>88,264</u>	<u>0</u>	<u>88,703</u>
Cash flows from investing activities:			
Interest on investment	138	30	168
Net increase in cash and cash equivalents	25,085	4,773	29,858
Cash and cash equivalents at beginning of year	34,791	4,667	39,458
Cash and cash equivalents at end of year	<u>\$ 59,876</u>	<u>9,440</u>	<u>69,316</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (93,829)	4,182	(89,647)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	24,365	0	24,365
Depreciation	4,798	0	4,798
Increase in inventories	(239)	0	(239)
(Increase)Decrease in accounts receivable	(437)	670	233
Decrease in accounts payable	0	(109)	(109)
Decrease in unearned revenues	(198)	0	(198)
Increase in other postemployment benefits	2,223	0	2,223
Net cash provided by(used in) operating activities	<u>\$ (63,317)</u>	<u>4,743</u>	<u>(58,574)</u>

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$24,365.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2010

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

*Invested in capital assets* consists of capital assets, net of accumulated depreciation.

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

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

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

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

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

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

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

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

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, District expenditures in the non-instructional programs function exceeded the budgeted amount.

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2010 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,467,046 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

#### **(3) Interfund Transfers**

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 150,713
General	Nutrition	439
Total		<u>\$ 151,152</u>

The transfer from the Capital Projects Fund to the Debt Service Fund was needed for interest and fees related to repayment of the District's revenue bond indebtedness.

The transfer from the Nutrition Fund to the General Fund was needed for repayment of flex benefits received by employees that General Fund paid but were an expense of the Nutrition Fund.

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

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. During the year ended June 30, 2010, the District had no ISCAP borrowings or repayments.

During the year ended June 30, 2010, the District paid \$14,490 of interest on the ISCAP warrants.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 78,495	0	0	78,495
Less accumulated depreciation	51,464	4,798	0	56,262
Business type activities capital assets, net	<u>\$ 27,031</u>	<u>(4,798)</u>	<u>0</u>	<u>22,233</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 116,414	0	0	116,414
Construction in progress	541,097	2,288,715	0	2,829,812
Total capital assets not being depreciated	657,511	2,288,715	0	2,946,226
Capital assets being depreciated:				
Buildings	3,018,950	12,130	0	3,031,080
Improvements other than buildings	404,236	5,632	0	409,868
Machinery and equipment	1,242,820	29,920	2,800	1,269,940
Total capital assets being depreciated	4,666,006	47,682	2,800	4,710,888
Less accumulated depreciation for:				
Buildings	1,652,921	45,018	0	1,697,939
Improvements other than buildings	206,733	14,758	0	221,491
Machinery and equipment	1,136,858	55,907	2,800	1,189,965
Total accumulated depreciation	2,996,512	115,683	2,800	3,109,395
Total capital assets being depreciated, net	1,669,494	(68,001)	0	1,601,493
Governmental activities capital assets, net	\$ 2,327,005	2,220,714	0	4,547,719

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,732
Other	4,977
Support services:	
Instructional support	11,636
Administration	2,737
Operation and maintenance of plant	3,179
Transportation	29,646
	55,907
Unallocated depreciation	59,776
Total governmental activities depreciation expense	\$ 115,683
Business type activities:	
Food services	\$ 4,798

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 3,500,000	0	0	3,500,000	0
Net OPEB liability	0	61,943	0	61,943	0
Total	\$ 3,500,000	61,943	0	3,561,943	0

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 0	2,223	0	2,223	0

Revenue Bonds

Details of the District's June 30, 2010 revenue bond indebtedness are as follows:

Year Ending June 30,	Bond issue dated April 1, 2009			
	Interest Rates	Principal	Interest	Total
2011	- %	\$ -	150,740	150,740
2012	3.50	85,000	149,252	234,252
2013	3.50	115,000	145,753	260,753
2014	3.50	120,000	141,640	261,640
2015	3.50	145,000	137,003	282,003
2016-2020	3.50-4.00%	820,000	600,393	1,420,393
2021-2025	4.20-4.60%	970,000	417,555	1,387,555
2026-2030	4.70-5.10%	1,245,000	161,445	1,406,445
Total		\$ 3,500,000	1,903,780	5,403,780

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,500,000 of bonds issued in April 2009. The bonds were issued for the purpose of financing a portion of the costs of a new addition to the high school building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 46 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,403,780. For the current year, interest of \$113,055 was paid on the bonds and total statewide sales and services tax revenues were \$330,894.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

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

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$178,424, \$172,357 and \$158,097, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 53 active and 2 retired members in the plan. Employees must be age 60 or older at retirement and have fifteen or more years of service to the District.

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

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 85,982
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>85,982</u>
Contributions made	<u>(21,816)</u>
Increase in net OPEB obligation	64,166
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u><u>\$ 64,166</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 85,982	25.37%	\$ 64,166

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$0.752 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.752 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.750 million, and the ratio of the UAAL to the covered payroll was 27.3%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual

results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 3.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The ultimate trend rate is 5%. For each year the medical trend rate is lowered by 1% until reaching the ultimate medical trend rate of 5% on July 1, 2013. The 5% ultimate trend rate will be used for each succeeding year after July 1, 2013.

Mortality rates are based on life expectancies tables at the National Center for Health Statistics website. The 2005 United States Life Tables for Males and Females were used. Annual retirement probabilities were developed from recent experience of the North Tama County Community School District. Termination rates were developed using GASB 45 paragraph 35(b) Table 1.

**(9) Risk Management**

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

**(10) 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 \$222,954 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2010, expenditures in the non-instructional function exceeded the amounts budgeted.

**(12) Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

<u>Project</u>	<u>Amount</u>
Talented and gifted	\$ 44,384
Allowable growth for returning dropouts & dropout prevention	24,663
Beginning teacher mentoring	157
Market factor	104
Model core curriculum	14,707
Teacher development academies	1,808
Professional development	17,027
Market factor incentives	3,796
Total	<u>\$ 106,646</u>

**(13) Construction Commitment**

The District has entered into various contracts totaling \$2,971,211 for construction of an addition to the high school building. As of June 30, 2010, costs of \$2,812,585 had been incurred against the contracts. The balance of \$158,626 remaining at June 30, 2010 will be paid as work on the project progresses. The total cost of the addition to the high school will be added to the District's fixed asset listing upon completion.

**North Tama County Community  
School District**

REQUIRED SUPPLEMENTARY INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 3,208,306	177,442	3,385,748	3,205,361	3,205,361	180,387
Intermediate sources	0	0	0	20,000	20,000	(20,000)
State sources	2,067,317	2,562	2,069,879	2,727,626	2,727,626	(657,747)
Federal sources	463,283	110,506	573,789	208,000	208,000	365,789
Total revenues:	5,738,906	290,510	6,029,416	6,160,987	6,160,987	(131,571)
<b>Expenditures/Expenses:</b>						
Instruction	3,610,812	0	3,610,812	3,727,585	3,727,585	116,773
Support services	1,511,061	14,977	1,526,038	1,867,492	1,867,492	341,454
Non-instructional programs	0	251,944	251,944	229,668	229,668	(22,276)
Other expenditures	2,855,259	0	2,855,259	3,993,452	3,993,452	1,138,193
Total expenditures/expenses:	7,977,132	266,921	8,244,053	9,818,197	9,818,197	1,574,144
Excess(deficiency) of revenues over(under) expenditures/expenses	(2,238,226)	23,589	(2,214,637)	(3,657,210)	(3,657,210)	1,442,573
Other financing sources(uses), net	439	(439)	0	299,695	299,695	(299,695)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	(2,237,787)	23,150	(2,214,637)	(3,357,515)	(3,357,515)	1,142,878
Balance beginning of year	4,557,326	78,818	4,636,144	4,010,582	4,010,582	625,562
Balance end of year	\$ 2,319,539	101,968	2,421,507	653,067	653,067	1,768,440

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010

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

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

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

During the year ended June 30, 2010, District expenditures in the non-instructional programs function exceeded the budgeted amount.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 752	\$ 752	0.0%	\$ 2,750	27.3%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2010

	Nonmajor Special Revenue Funds					Total
	Manage-	Student	Physical	Total	Debt	Other
	ment	Activity	Plant and	Special	Service	Nonmajor
	Levy		Equipment	Revenue		Governmental
			Levy			Funds
<b>Assets</b>						
Cash and pooled investments	\$ 103,295	59,139	41,126	203,560	364,671	568,231
Receivables:						
Property tax:						
Delinquent	1,520	0	776	2,296	0	2,296
Succeeding year	80,000	0	56,193	136,193	0	136,193
<b>Total Assets</b>	<b>\$ 184,815</b>	<b>59,139</b>	<b>98,095</b>	<b>342,049</b>	<b>364,671</b>	<b>706,720</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 80,000	0	56,193	136,193	0	136,193
Total liabilities	80,000	0	56,193	136,193	0	136,193
Fund balances:						
Reserved for debt service	0	0	0	0	364,671	364,671
Unreserved	104,815	59,139	41,902	205,856	0	205,856
Total fund balances	104,815	59,139	41,902	205,856	364,671	570,527
<b>Total Liabilities and Fund Balances</b>	<b>\$ 184,815</b>	<b>59,139</b>	<b>98,095</b>	<b>342,049</b>	<b>364,671</b>	<b>706,720</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2010

	Nonmajor Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	Other Nonmajor Governmental Funds
Revenues:						
Local sources:						
Local tax	\$ 109,722	0	56,051	165,773	0	165,773
Other	237	241,801	5,605	247,643	788	248,431
State sources	75	0	38	113	0	113
Federal sources	0	0	25,000	25,000	0	25,000
Total revenues	110,034	241,801	86,694	438,529	788	439,317
Expenditures:						
Current:						
Instruction:						
Regular	4,430	0	0	4,430	0	4,430
Other	0	282,941	0	282,941	0	282,941
Support services:						
Administration	689	31	0	720	0	720
Operation and maintenance of plant	34,209	1,869	0	36,078	0	36,078
Transportation	14,520	0	0	14,520	0	14,520
Other expenditures:						
Facilities acquisitions	0	0	73,748	73,748	0	73,748
Long-term debt:						
Interest and fiscal charges	0	0	0	0	113,805	113,805
Total expenditures	53,848	284,841	73,748	412,437	113,805	526,242
Excess(deficiency) of revenues over(under) expenditures	56,186	(43,040)	12,946	26,092	(113,017)	(86,925)
Other financing sources:						
Transfer in	0	0	0	0	150,713	150,713
Net change in fund balances	56,186	(43,040)	12,946	26,092	37,696	63,788
Fund balances beginning of year	48,629	102,179	28,956	179,764	326,975	506,739
Fund balances end of year	\$ 104,815	59,139	41,902	205,856	364,671	570,527

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Musical	\$ 103	2,018	2,761	(640)
Instrumental Activity	3,429	3,285	1,380	5,334
Music Boosters	7,994	52,093	56,595	3,492
Music Boosters Investment	8,801	293	0	9,094
Youth Basketball	100	0	0	100
Athletics	6,150	84,655	89,177	1,628
Baseball/Softball	5,448	19,818	17,925	7,341
Youth Baseball	1,864	3,705	640	4,929
Elementary SB	273	3,255	36	3,492
Nationals	737	0	448	289
Science Donations	0	1,003	0	1,003
Uniforms	3,033	571	2,851	753
Booster Club	36,582	15,774	53,092	(736)
Cheerleaders	772	581	996	357
Academic Decathalon	514	120	3,066	(2,432)
FCCLA	1,769	10,612	12,163	218
Ind Arts Club	150	199	46	303
National Honor Society	382	376	474	284
Spanish Club	843	322	150	1,015
Speech Club	135	0	294	(159)
Student Council	3,085	2,935	4,081	1,939
Memory Book	1,653	1,495	1,883	1,265
Yearbook	1,977	11,006	13,749	(766)
JH Student Council	281	2,138	2,014	405
Interest	1,009	225	425	809
North Tama Dance Squad	628	2	0	630
Elementary Drill Team	186	0	0	186
Swing Show	1,635	1,936	1,584	1,987
Redhawks Readers	1,975	426	294	2,107
Character Counts	0	7,843	3,813	4,030
Art Club	3,100	3,752	3,846	3,006
FFA	(699)	2,482	1,639	144
PTO	5,417	1,950	3,508	3,859
Resident Artist	85	100	0	185
Reading With Character	0	830	115	715
Athletic Improvement	1,221	4	0	1,225
Class of 2010	1,547	1,242	2,020	769
Class of 2011	0	4,755	3,776	979
<b>Total</b>	<b>\$ 102,179</b>	<b>241,801</b>	<b>284,841</b>	<b>59,139</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 OTHER ENTERPRISE FUNDS  
 JUNE 30, 2010

	Book Fair	NT & S	Other	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,630	1,298	6,512	9,440
<b>Liabilities</b>				
	0	0	0	0
<b>Net assets</b>				
Unrestricted	\$ 1,630	1,298	6,512	9,440

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 OTHER ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2010

	Book Fair	JET	NT & S	Other	Total
OPERATING REVENUE:					
Local sources:					
Miscellaneous	\$ 2,894	15	1,241	21,202	25,352
OPERATING EXPENSES:					
Other enterprise operations:					
Salaries	0	0	0	5,068	5,068
Benefits	0	0	0	725	725
Services	0	0	0	799	799
Supplies	2,181	0	1,679	10,718	14,578
TOTAL OPERATING EXPENSES	2,181	0	1,679	17,310	21,170
OPERATING INCOME (LOSS)	713	15	(438)	3,892	4,182
NON-OPERATING REVENUES:					
Interest income	4	0	3	23	30
Change in net assets	717	15	(435)	3,915	4,212
Net assets beginning of year	913	(15)	1,733	2,597	5,228
Net assets end of year	\$ 1,630	0	1,298	6,512	9,440

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 OTHER ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2010

	Book Fair	JET	NT & S	Other	Total
Cash flows from operating activities:					
Cash received from miscellaneous operating activities	\$ 2,894	15	1,241	21,872	26,022
Cash payments to employees for services	0	0	0	(5,793)	(5,793)
Cash payments to suppliers for goods or services	(2,181)	0	(1,679)	(11,626)	(15,486)
Net cash provided by(used in) operating activities	713	15	(438)	4,453	4,743
Cash flows from investing activities:					
Interest on investments	4	0	3	23	30
Net increase(decrease) in cash and cash equivalents	717	15	(435)	4,476	4,773
Cash and cash equivalents at beginning of year	913	(15)	1,733	2,036	4,667
Cash and cash equivalents at end of year	\$ 1,630	0	1,298	6,512	9,440
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ 713	15	(438)	3,892	4,182
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Decrease in accounts receivable	0	0	0	670	670
Decrease in accounts payable	0	0	0	(109)	(109)
Net cash provided by(used in) operating activities	\$ 713	15	(438)	4,453	4,743

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 2,605,586	2,297,278	2,173,495	2,132,698	2,051,963	1,930,361	1,853,955
Tuition	182,271	169,943	208,240	177,998	160,156	197,307	148,428
Other	420,449	416,087	359,854	480,450	349,277	372,176	285,966
Intermediate sources	0	0	23,664	29,821	44,889	0	0
State sources	2,067,317	2,632,741	2,577,545	2,320,017	2,092,833	1,923,128	1,733,213
Federal sources	463,283	304,305	148,185	147,456	108,421	138,940	103,148
<b>Total</b>	<b>\$ 5,738,906</b>	<b>5,820,354</b>	<b>5,490,983</b>	<b>5,288,440</b>	<b>4,807,539</b>	<b>4,561,912</b>	<b>4,124,710</b>
Expenditures:							
Current:							
Instruction:							
Regular	\$ 2,247,494	2,099,803	2,062,199	2,263,131	2,069,180	1,976,410	1,602,992
Special	529,315	705,787	608,998	542,850	509,009	556,548	369,907
Other	834,003	737,042	540,011	292,642	332,365	135,386	450,074
Support services:							
Student	176,063	183,223	185,259	177,968	187,172	136,781	134,248
Instructional staff	88,804	132,130	146,603	146,551	167,755	81,459	121,762
Administration	588,604	578,669	569,465	545,955	548,462	570,538	569,093
Operation and maintenance of plant	386,194	368,027	370,174	318,741	332,797	315,180	286,537
Transportation	271,396	253,346	276,296	255,552	287,371	231,975	295,949
Central	0	0	0	0	0	0	871
Other expenditures:							
Facilities acquisitions	2,518,500	722,259	285,807	247,907	304,021	80,103	10,000
Long-term debt:							
Principal	0	0	0	0	42,000	135,500	127,500
Interest	113,805	750	0	0	1,858	10,553	18,206
AEA flow-through	222,954	193,592	185,379	177,099	160,424	146,689	147,606
<b>Total</b>	<b>\$ 7,977,132</b>	<b>5,974,628</b>	<b>5,230,191</b>	<b>4,968,396</b>	<b>4,942,414</b>	<b>4,377,122</b>	<b>4,134,745</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 10,388
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	100,118 *
			<u>110,506</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4785-G	26,696
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES - RECOVERY ACT	84.389	FY 09	5,419
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES - RECOVERY ACT	84.389	FY 10	24,146
			<u>56,261</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>1,338</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANTS)	84.215	FY 10	<u>25,000</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	<u>18,023</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 10	<u>3,367</u>
STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>233,308</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 10	26,646
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	58,286
			<u>84,932</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>4,568</u>
TOTAL			<u>\$ 537,303</u>

\* Includes \$24,365 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

(a professional corporation)

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### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

### Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-10, II-D-10 and II-E-10 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2011

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

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

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

#### Compliance

We have audited the compliance of North Tama County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. North Tama County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of North Tama County Community School District's management. Our responsibility is to express an opinion on North Tama County Community School District's compliance based on our audit.

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

In our opinion, North Tama County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

The management of North Tama County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered North Tama County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Tama County Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness and another deficiency that we consider a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-B-10 to be significant deficiency.

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2011

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness and a significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Individual
    - CFDA Number 84.394 - State Fiscal Stabilization Fund(SFSF)  
Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) North Tama County Community School District did not qualify as a low-risk auditee.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

II-B-10 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

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

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

Response - The Business Manager will get all bank reconciliations up to date by March 31, 2011.

Conclusion - Responses accepted.

II-C-10 Gate Admissions - We noted during our audit that the District does not utilize pre-numbered tickets for all event admissions. Currently, the District's practice is to use pre-numbered tickets for sporting events only.

Also, during the audit it appeared that ticket takers responsible for cash collections at the gate were not always reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation before giving custody of the change box to the Athletic Director.

Recommendation - The District should use pre-numbered tickets for all events that there is an admission fee charged and reconciliation procedures set up by the District should be required to be performed.

The exchange in custody of the change box from the ticket takers to the Athletic Director with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the Athletic Director or designee responsible for the accounting function at the event.

Response - Log sheets are utilized rather than pre-numbered tickets for all events requiring admissions. Ticket takers mark number of student and adult attendees and cross references attendance totals to total money collected at the end of each event. The number of attendees with free admission passes is also tallied.

Conclusion - Response acknowledged. Better internal control procedures are achieved when using pre-numbered tickets. The exchange of the ticket for cash from the attendees of the event serves as a receipt and a control as to the number of tickets sold. The number of tickets sold can be used in the reconciliation of cash collected after the event has been completed.

II-D-10 Purchase Orders - The District currently uses purchase orders in the purchasing process, however, we noted instances of purchase orders that were completed after the product had been ordered.

Recommendation - The District should review purchase order procedures to ensure that they are completed before the purchase of goods and services.

Response - The citation of not getting an administrator's signature on purchase orders has occurred with athletic purchases when a coach needs something quickly. This issue has been corrected. All purchases now require proper approval before ordering takes place.

Conclusion - Response accepted.

II-E-10 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District continues to work on the accuracy in regards to the coding of bills. Matching revenues with expenditures is always the goal with each specific grant or project.

Conclusion - Response accepted.

#### OTHER MATTERS:

II-F-10 Intangible Asset Policy - Although the District implemented Governmental Accounting Standards Board Statement No. 51 with regard to intangible assets, the District does not have a board policy addressing capitalization of intangible assets.

Recommendation - The District's Board of Directors should adopt an intangible asset policy addressing the capitalization of intangible assets.

Response - The District will adopt an intangible asset policy during fiscal 2011.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553 - School Breakfast Program  
CFDA Number 10.555 - National School Lunch Program Education  
Federal Award Year: 2010  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.394 - State Fiscal Stabilization Fund(SFSF) Education State Grants,  
(Recovery Act)  
Federal Award Year: 2010  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

III-B-10 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District continues to work on the accuracy in regards to the coding of bills. Matching revenues with expenditures is always the goal with each specific grant or project.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010 exceeded the amount budgeted in the non-instructional programs program area.

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

Response - The District will monitor the budget more closely in the future and amend as needed.

Conclusion - Response accepted.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 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.

However, we noted during our audit that reimbursements to employees for meal expenses had no detailed receipts attached for supporting documentation. According to District policy 803.13, employees that seek reimbursement of expenses must attach a detailed receipt to the claim form otherwise the expense becomes the expense of the employee.

Recommendation - The District should review procedures in place to ensure that receipts for all reimbursable expenses are attached for supporting documentation.

Response - In the future, the District will not reimburse anyone for travel expenses unless detailed receipts are attached to the claim form.

Conclusion - Response accepted.

II-D-10 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Judy Robb, Board Member	Substitute Teacher	\$1,270
Josh Youel, Teacher Spouse owner of Staker Furniture	Carpet Repair	\$130

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

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

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	307,470
Statewide sales, services and use tax revenue			330,894
Expenditures/Transfers out:			
School infrastructure:			
Buildings	\$	4,629	
Other improvements		483,022	
Debt service for school infrastructure:			
Revenue debt		150,713	638,364
Ending balance		\$	<u>0</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010 the District reduced the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant & equipment levy	\$ 1.64000	\$ 279,263

IV-M-10 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>.

Response - The District will determine whether checks outstanding should be voided, reissued or submitted to the state by the end of March 2011. This will be done on an annual basis in the future.

Conclusion - Response accepted.

IV-N-10 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

**Scholarship Awards:** The High School Student Council awards scholarships from proceeds of fundraising during the year.

Recommendation - When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

Response - In the future, the scholarship funded by the high school student council will be handled appropriately. Funds will be transferred into the private purpose trust for payment rather than directly from the Student Activity Fund.

Conclusion - Response accepted.