

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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South Page Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Ellen Nothwehr	President	2009
Junior Neihart	Vice President	2009
Larry Murphy	Board Member	2011
Ron Peterman	Board Member	2011
Karl Kenagy	Board Member	2011
Board of Education (After September 2009 Election)		
Ron Peterman	President	2011
Larry Murphy	Vice President	2011
Kenny Jackson	Board Member	2013
Darin McClarnon	Board Member	2013
Karl Kenagy	Board Member	2011
School Officials		
Gregg Cruickshank	Superintendent	2010
Vicki King	District Secretary (Resigned November 2009)	2010
Jamie Lindsay	District Secretary (Appointed November 2009)	2010
Ahlers & Cooney, P.C.	Attorney	2010

SOUTH PAGE 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
South Page Community School District:

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

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

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

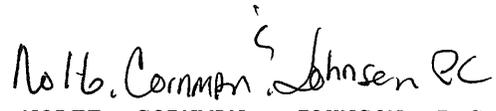
In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2011 on our consideration of South Page Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and the 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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Page Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Page Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$2,501,901 in fiscal 2009 to \$2,386,098 in fiscal 2010, while General Fund expenditures increased from \$2,557,346 in fiscal 2009 to \$2,747,204 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$65,143 in fiscal 2009 to a deficit \$295,963 in fiscal 2010, a 554.33% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in state sources due to a ten percent across-the-board cut by the state during fiscal 2010. The increase in expenditures was due primarily to a decrease in expenditures in the instructional functions.
- As of the year ended June 30, 2010, the District's solvency ratio was a negative 14.27% as compared to a positive 2.44% for the year ended June 30, 2009. The School Budget Review Committee recommends of a solvency ratio between 5% and 10%.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

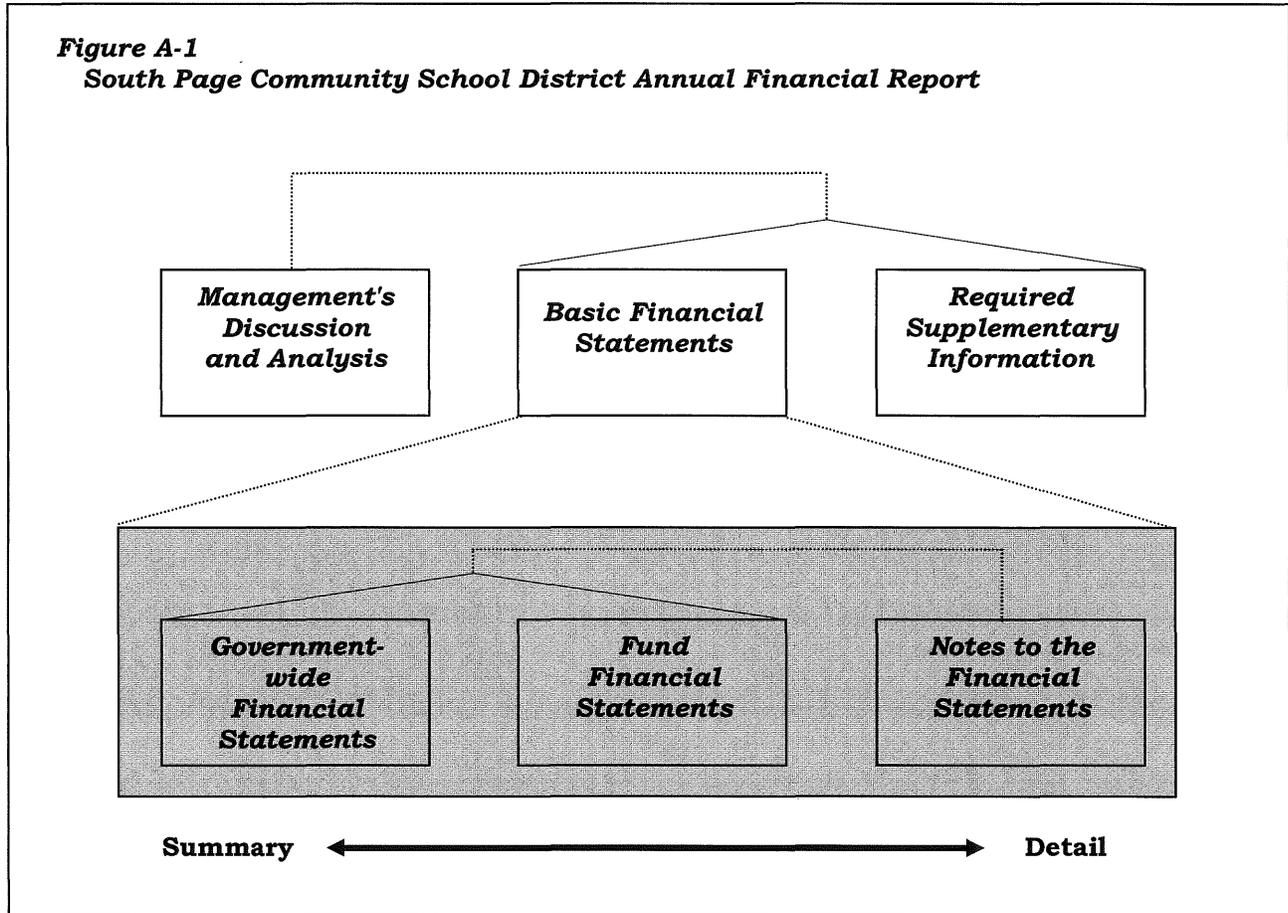


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 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	\$ 1,603,075	2,800,507	9,597	3,701	1,612,672	2,804,208	-42.49%
Capital assets	1,537,408	1,378,497	6,286	7,129	1,543,694	1,385,626	11.41%
Total assets	3,140,483	4,179,004	15,883	10,830	3,156,366	4,189,834	-24.67%
Long-term obligations	202,702	85,000	0	0	202,702	85,000	138.47%
Other liabilities	1,471,000	2,312,083	22,340	26,441	1,493,340	2,338,524	-36.14%
Total liabilities	1,673,702	2,397,083	22,340	26,441	1,696,042	2,423,524	-30.02%
Net assets:							
Invested in capital assets, net of related debt	1,360,706	1,293,497	6,286	7,129	1,366,992	1,300,626	5.10%
Restricted	432,328	390,129	0	0	432,328	390,129	10.82%
Unrestricted	(326,253)	98,295	(12,743)	(22,740)	(338,996)	75,555	-548.67%
Total net assets	\$ 1,466,781	1,781,921	(6,457)	(15,611)	1,460,324	1,766,310	-17.32%

The District's combined net assets decreased by 17.32%, or \$305,986, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$42,199, or 10.82% over the prior year. The increase in restricted net assets for the year ended June 30, 2010 can be attributable to the increase in fund balance for the Management Levy Fund

Unrestricted net assets - are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$414,551, or 548.67%. This decrease is mainly attributable to the decrease in fund balance in the General Fund.

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

Figure A-4
Changes of Net Assets

	Governmental		Business Type		Total		Total Change June 30, 2009-10
	Activities		Activities		School District		
	June 30, 2010	2009	2010	2009	2010	2009	
Revenues:							
Program revenues:							
Charges for services	\$ 156,781	156,285	29,289	27,164	186,070	183,449	1.43%
Operating grants and contributions and restricted interest	641,496	482,936	62,231	51,689	703,727	534,625	31.63%
General revenues:							
Property tax	1,024,081	1,036,760	0	0	1,024,081	1,036,760	-1.22%
Income surtax	40,076	40,894	0	0	40,076	40,894	-2.00%
Statewide sales, services and use tax	130,146	137,242	0	0	130,146	137,242	-5.17%
Unrestricted state grants	742,645	953,366	0	0	742,645	953,366	-22.10%
Other	24,970	31,507	436	0	25,406	31,507	-19.36%
Total revenues	2,760,195	2,838,990	91,956	78,853	2,852,151	2,917,843	-2.25%
Program expenses:							
Governmental activities:							
Instructional	1,758,706	1,771,391	0	0	1,758,706	1,771,391	-0.72%
Support services	861,903	862,419	1,926	294	863,829	862,713	0.13%
Non-instructional programs	0	0	80,876	89,071	80,876	89,071	-9.20%
Other expenses	454,726	230,866	0	0	454,726	230,866	96.97%
Total expenses	3,075,335	2,864,676	82,802	89,365	3,158,137	2,954,041	6.91%
Change in net assets	(315,140)	(25,686)	9,154	(10,512)	(305,986)	(36,198)	-745.31%
Net assets beginning of year	1,781,921	1,807,607	(15,611)	(5,099)	1,766,310	1,802,508	-2.01%
Net assets end of year	\$ 1,466,781	1,781,921	(6,457)	(15,611)	1,460,324	1,766,310	-17.32%

In fiscal 2010, property tax, income surtax and unrestricted state grants account for 65.46% of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.53% of the revenues from the business type activities.

The District's total revenues were approximately \$2.85 million of which \$2.76 million was for governmental activities and slightly more than \$0.09 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 2.25% in revenues and a 6.91% increase in expenses. The increase in expenses was related an increase in the other expenses function costs during the year.

Governmental Activities

Revenues for governmental activities were \$2,760,195 and expenses were \$3,075,335.

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 as compared to the year ended June 30, 2009.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	June 30,		Change 2009-10	June 30,		Change 2009-10
	2010	2009		2010	2009	
Instruction	\$ 1,758,706	1,771,391	-0.72%	1,068,633	1,231,649	-13.24%
Support services	861,903	862,419	-0.06%	857,556	860,511	-0.34%
Other expenses	454,726	230,866	96.97%	350,869	133,295	163.23%
Totals	\$ 3,075,335	2,864,676	7.35%	2,277,058	2,225,455	2.32%

- The cost financed by users of the District's programs was \$156,781.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$641,496.
- The net cost of governmental activities was financed with \$1,024,081 in property tax, \$40,076 in income surtax, \$130,146 in statewide sales, services and use tax, \$742,645 in unrestricted state grants, \$14,125 in interest income and other general revenue of \$10,845.

Business type Activities

Revenues of the District's business type activities were \$91,956 and expenses were \$82,802. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$91,731, below last year's ending fund balances of a \$451,106. However, the primary reason for the decrease in combined fund balances in fiscal 2010 is due to decreases in the fund balances of the General Fund and the Debt Service Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Decreases in state aid payments during the year resulted in a decrease in revenues, while expenditures grew by \$189,858 or 7.42%. The decrease in revenues below expenditures resulted in the General Fund balance decreasing from a positive \$65,143 to a deficit \$295,963.
- The Management Levy fund balance increased from \$64,502 for year ended June 30, 2009 to \$140,389 for year ended June 30, 2010. This increase was the result of property tax revenues in excess of property insurance premiums.
- The Capital Projects fund balance increased slightly, from \$186,830 for year ended June 30, 2009 to \$189,402 for year ended June 30, 2010. This increase was the result of statewide, sales, services and use tax revenues exceeding the cost of two vehicles and debt payments.

Proprietary Fund Highlights

The Proprietary Funds net assets increased from a deficit balance of \$15,611 at June 30, 2009 to a deficit balance of \$6,457 at June 30, 2010, representing an increase of 58.64%. For fiscal 2010, the District received more monies from charges for services and federal sources as compared to the previous year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$76,113 less than budgeted revenues, a variance of 2.60%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenses 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 \$1,543,694, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 11.41% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$154,555.

The original cost of the District's capital assets was \$4,366,961. Governmental funds account for \$4,289,379 with the remainder of \$77,582 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$305,441 at June 30, 2010, compared to \$83,196 reported at June 30, 2009. This was the result of the District purchasing three new vehicles and new computers during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 52,000	52,000	0	0	52,000	52,000	0.00%
Buildings	1,030,375	1,075,428	0	0	1,030,375	1,075,428	-4.19%
Land improvements	155,878	175,002	0	0	155,878	175,002	-10.93%
Machinery and equipment	299,155	76,067	6,286	7,129	305,441	83,196	267.13%
Total	\$ 1,537,408	1,378,497	6,286	7,129	1,543,694	1,385,626	11.41%

Long-Term Debt

At June 30, 2010, the District had \$202,702 in long-term indebtedness outstanding. This represents a increase of 138.47% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,	June 30,	June 30,
	2010	2009	2009-10
Revenue bonds	\$ 0	85,000	-100.00%
Computer lease	176,702	0	100.00%
Net OPEB liability	26,000	0	100.00%
Total	<u>\$ 202,702</u>	<u>85,000</u>	<u>138.47%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The State's 10% budget cut will be a concern for the District, shifting the majority of funding on property taxes.
- October 2009 certified enrollment decreased by 24.9 students.
- The District will be working with the local mayors to discuss the possibilities of economic development for the area.
- The District is looking into alternative energy sources.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 340,106	0	340,106
Receivables:			
Property tax:			
Delinquent	22,301	0	22,301
Succeeding year	1,084,778	0	1,084,778
Income surtax	40,344	0	40,344
Accounts	15,078	155	15,233
Due from other governments	100,468	5,741	106,209
Inventories	0	3,701	3,701
Capital assets, net of accumulated depreciation	1,537,408	6,286	1,543,694
Total Assets	3,140,483	15,883	3,156,366
Liabilities			
Excess of warrants issued over bank balance	33,020	21,438	54,458
Accounts payable	151,541	0	151,541
Salaries and benefits payable	201,661	0	201,661
Deferred revenue:			
Succeeding year property tax	1,084,778	0	1,084,778
Unearned revenue	0	902	902
Long-term liabilities:			
Portion due within one year:			
Computer lease payable	58,901	0	58,901
Portion due after one year:			
Computer lease payable	117,801	0	117,801
Net OPEB liability	26,000	0	26,000
Total Liabilities	1,673,702	22,340	1,696,042
Net Assets			
Invested in capital assets, net of related debt	1,360,706	6,286	1,366,992
Restricted for:			
Categorical funding	44,634	0	44,634
Management levy	140,389	0	140,389
Physical plant and equipment levy	28,193	0	28,193
Capital projects	189,402	0	189,402
Other special revenue purposes	29,710	0	29,710
Unrestricted	(326,253)	(12,743)	(338,996)
Total Net Assets	\$ 1,466,781	(6,457)	1,460,324

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
		for Services				
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 949,785	63,107	339,529	(547,149)	0	(547,149)
Special	501,819	0	131,504	(370,315)	0	(370,315)
Other	307,102	93,674	62,259	(151,169)	0	(151,169)
	<u>1,758,706</u>	<u>156,781</u>	<u>533,292</u>	<u>(1,068,633)</u>	<u>0</u>	<u>(1,068,633)</u>
Support services:						
Student	78,102	0	0	(78,102)	0	(78,102)
Instructional staff	36,288	0	0	(36,288)	0	(36,288)
Administration	319,511	0	0	(319,511)	0	(319,511)
Operation and maintenance of plant	281,123	0	0	(281,123)	0	(281,123)
Transportation	146,879	0	4,347	(142,532)	0	(142,532)
	<u>861,903</u>	<u>0</u>	<u>4,347</u>	<u>(857,556)</u>	<u>0</u>	<u>(857,556)</u>
Other expenditures:						
Facilities acquisitions	285,792	0	0	(285,792)	0	(285,792)
Long-term debt interest	900	0	0	(900)	0	(900)
AEA flowthrough	103,857	0	103,857	0	0	0
Depreciation(unallocated)*	64,177	0	0	(64,177)	0	(64,177)
	<u>454,726</u>	<u>0</u>	<u>103,857</u>	<u>(350,869)</u>	<u>0</u>	<u>(350,869)</u>
Total governmental activities	3,075,335	156,781	641,496	(2,277,058)	0	(2,277,058)
business type activities:						
Support services:						
Operation and maintenance of plant	1,926	0	0	0	(1,926)	(1,926)
Non-instructional programs:						
Nutrition services	80,876	29,289	62,231	0	10,644	10,644
Total business type activities	<u>82,802</u>	<u>29,289</u>	<u>62,231</u>	<u>0</u>	<u>8,718</u>	<u>8,718</u>
Total	<u>\$ 3,158,137</u>	<u>186,070</u>	<u>703,727</u>	<u>(2,277,058)</u>	<u>8,718</u>	<u>(2,268,340)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,000,052	0	1,000,052
Capital outlay				24,029	0	24,029
Statewide sales, services and use tax				130,146	0	130,146
Income surtax				40,076	0	40,076
Unrestricted state grants				742,645	0	742,645
Unrestricted investment earnings				14,125	0	14,125
Other				10,845	436	11,281
Total general revenues				<u>1,961,918</u>	<u>436</u>	<u>1,962,354</u>
Changes in net assets				(315,140)	9,154	(305,986)
Net assets beginning of year				<u>1,781,921</u>	<u>(15,611)</u>	<u>1,766,310</u>
Net assets end of year				<u>\$ 1,466,781</u>	<u>(6,457)</u>	<u>1,460,324</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 0	137,998	141,303	60,805	340,106
Receivables:					
Property tax:					
Delinquent	19,412	2,391	0	498	22,301
Succeeding year	1,054,778	30,000	0	0	1,084,778
Income surtax	40,344	0	0	0	40,344
Accounts	1,278	0	13,000	800	15,078
Due from other governments	61,989	0	38,479	0	100,468
Total Assets	\$ 1,177,801	170,389	192,782	62,103	1,603,075
Liabilities and Fund Balances					
Liabilities:					
Excess of warrants over bank balance	\$ 33,020	0	0	0	33,020
Accounts payable	143,961	0	3,380	4,200	151,541
Salaries and benefits payable	201,661	0	0	0	201,661
Deferred revenue:					
Succeeding year property tax	1,054,778	30,000	0	0	1,084,778
Income surtax	40,344	0	0	0	40,344
Total liabilities	1,473,764	30,000	3,380	4,200	1,511,344
Fund balances:					
Reserved for:					
Categorical funding	44,634	0	0	0	44,634
Unreserved	(340,597)	140,389	189,402	57,903	47,097
Total fund balances	(295,963)	140,389	189,402	57,903	91,731
Total Liabilities and Fund Balances	\$ 1,177,801	170,389	192,782	62,103	1,603,075

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 20) \$ 91,731

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 1,537,408

Accounts receivable income surtax, are not yet available to finance expenditures of the current period. 40,344

Long-term liabilities, including computer lease payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (202,702)

Net assets of governmental activities (page 18) \$ 1,466,781

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 922,089	115,288	130,146	24,029	1,191,552
Tuition	61,577	0	0	0	61,577
Other	22,496	6,951	183	94,663	124,293
State sources	1,024,628	71	0	15	1,024,714
Federal sources	355,308	0	0	0	355,308
Total revenues	<u>2,386,098</u>	<u>122,310</u>	<u>130,329</u>	<u>118,707</u>	<u>2,757,444</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,119,005	0	0	0	1,119,005
Special	497,362	0	0	0	497,362
Other	199,847	0	0	105,048	304,895
	<u>1,816,214</u>	<u>0</u>	<u>0</u>	<u>105,048</u>	<u>1,921,262</u>
Support services:					
Student	77,316	0	0	0	77,316
Instructional staff	32,743	0	0	0	32,743
Administration	315,668	0	0	0	315,668
Operation and maintenance of plant	228,878	46,423	0	0	275,301
Transportation	132,528	0	51,561	11,318	195,407
	<u>787,133</u>	<u>46,423</u>	<u>51,561</u>	<u>11,318</u>	<u>896,435</u>
Other expenditures:					
Facilities acquisitions	0	0	266,242	19,550	285,792
Long-term debt:					
Principal	0	0	0	150,019	150,019
Interest	0	0	0	1,175	1,175
AEA flowthrough	103,857	0	0	0	103,857
	<u>103,857</u>	<u>0</u>	<u>266,242</u>	<u>170,744</u>	<u>540,843</u>
Total expenditures	<u>2,707,204</u>	<u>46,423</u>	<u>317,803</u>	<u>287,110</u>	<u>3,358,540</u>
Excess(deficiency) of revenues over(under) expenditures	(321,106)	75,887	(187,474)	(168,403)	(601,096)
Other financing sources(uses):					
Transfers in	0	0	45,228	96,903	142,131
Transfers out	(40,000)	0	(96,903)	(5,228)	(142,131)
Proceeds from computer lease	0	0	241,721	0	241,721
Total other financing sources(uses)	<u>(40,000)</u>	<u>0</u>	<u>190,046</u>	<u>91,675</u>	<u>241,721</u>
Net change in fund balances	(361,106)	75,887	2,572	(76,728)	(359,375)
Fund balance beginning of year	65,143	64,502	186,830	134,631	451,106
Fund balance end of year	<u>\$ (295,963)</u>	<u>140,389</u>	<u>189,402</u>	<u>57,903</u>	<u>91,731</u>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ (359,375)

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

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

Capital outlays	\$ 322,622	
Depreciation expense	(153,712)	
Loss on disposal of assets	<u>(9,999)</u>	158,911

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

Issued	(241,721)	
Repaid	<u>150,019</u>	(91,702)

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.

275

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

2,751

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.

Other postemployment benefits		<u>(26,000)</u>
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Changes in net assets of governmental activities (page 19) \$ (315,140)

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	School Nutrition
Assets	
Accounts receivable	\$ 155
Due from other governments	5,741
Inventories	3,701
Capital assets, net of accumulated depreciation	6,286
Total Assets	15,883
 Liabilities	
Excess of warrants issued over bank balance	21,438
Unearned revenue	902
Total Liabilities	22,340
 Net Assets	
Invested in capital assets	6,286
Unrestricted	(12,743)
Total Net Assets	\$ (6,457)

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 29,289
Miscellaneous	436
TOTAL OPERATING REVENUES	29,725
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant	
Services	1,926
Non-instructional programs:	
Food service operations:	
Salaries	27,936
Benefits	4,272
Supplies	47,613
Other	212
Depreciation	843
Total food service operations	80,876
TOTAL OPERATING EXPENSES	82,802
OPERATING LOSS	(53,077)
NON-OPERATING REVENUES:	
State sources	882
Federal sources	61,349
TOTAL NON-OPERATING REVENUES	62,231
Change in net assets	9,154
Net assets beginning of year	(15,611)
Net assets end of year	\$ (6,457)

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 29,165
Cash received from miscellaneous	436
Cash payments to employees for services	(32,208)
Cash payments to suppliers for goods or services	(42,611)
Net cash used in operating activities	(45,218)
Cash flows from non-capital financing activities:	
State grants received	882
Federal grants received	48,468
Net cash provided by non-capital financing activities	49,350
Net increase in cash and cash equivalents	4,132
Cash and cash equivalents at beginning of year	(25,570)
Cash and cash equivalents at end of year	\$ (21,438)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (53,077)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	7,140
Depreciation	843
Increase in accounts receivable	(155)
Increase in unearned revenue	31
Net cash used in operating activities	\$ (45,218)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received
Federal commodities valued at \$7,140

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 3,262
Liabilities	0
Net Assets	
Restricted for scholarships	2,000
Unrestricted	1,262
Total Net Assets	<u>\$ 3,262</u>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2010

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Interest	\$	2
Contributions		1,400
Total additions		1,402
Deductions:		
Instruction:		
Regular:		
Scholarships awarded		650
Change in net assets		752
Net assets beginning of year		2,510
Net assets end of year	\$	3,262

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Special Revenue Management Levy Fund is utilized to account for the payment of property insurance, early retirement benefits and unemployment benefits.

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

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary 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, 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	2 or more years
Machinery and equipment	5-20 years

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

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

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

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

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

Fund Equity - 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 other expenditures 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, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 \$247,066 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 96,903
Capital Projects	General Fund	40,000
Special Revenue, Physical Plant and Equipment Levy	Capital Projects	<u>5,228</u>
Total		<u>\$ 142,131</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. 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 repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 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%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/09	6/23/10	\$ 0	200,000	200,000	0

During the year ended June 30, 2010, the District paid \$6,227 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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,000	0	0	52,000
Total capital assets not being depreciated	52,000	0	0	52,000
Capital assets being depreciated:				
Buildings	2,491,848	0	0	2,491,848
Land improvements	382,477	0	0	382,477
Machinery and equipment	1,105,608	322,622	65,176	1,363,054
Total capital assets being depreciated	3,979,933	322,622	65,176	4,237,379
Less accumulated depreciation for:				
Buildings	1,416,420	45,053	0	1,461,473
Land improvements	207,475	19,124	0	226,599
Machinery and equipment	1,029,541	89,535	55,177	1,063,899
Total accumulated depreciation	2,653,436	153,712	55,177	2,751,971
Total capital assets being depreciated, net	1,326,497	168,910	9,999	1,485,408
Governmental activities capital assets, net	\$ 1,378,497	168,910	9,999	1,537,408
Business type activities:				
Machinery and equipment	\$ 77,582	0	0	77,582
Less accumulated depreciation	70,453	843	0	71,296
Business type activities capital assets, net	\$ 7,129	843	0	6,286

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 60,318
Other		317
Support services:		
Instructional staff		3,267
Operation and maintenance of plant		3,259
Transportation		22,374
Unallocated depreciation		<u>64,177</u>
Total governmental activities depreciation expense		<u>\$ 153,712</u>
Business type activities:		
Food service operations		<u>\$ 843</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 85,000	0	85,000	0	0
Computer Lease	0	241,721	65,019	176,702	58,901
Net OPEB liability	0	26,000	0	26,000	0
Total	<u>85,000</u>	<u>267,721</u>	<u>150,019</u>	<u>202,702</u>	<u>58,901</u>

Computer Lease Payable

On December 18, 2009, the District entered into a lease purchase agreement with Apple for new computers. The lease is scheduled to be repaid as follows from the Special Revenue, Physical Plant and Equipment Levy Fund and Capital Projects Fund:

Year Ending June 30,	Lease of December 18, 2009		
	Principal	Interest	Total
2011	\$ 58,901	*	58,901
2012	58,901	*	58,901
2013	58,900	*	58,900
Total	<u>\$ 176,702</u>	<u>*</u>	<u>176,702</u>

* - In order to provide a zero percent interest rate to the District, Apple Inc. made a promotional payment of \$17,275 towards the total cost of the lease \$258,996.

(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 \$75,198, \$94,431, and \$85,513, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

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 and prescription drug benefits for retirees and their spouses. There are 30 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which result in an implicit rate 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 (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 43,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>43,000</u>
Contributions made	<u>(17,000)</u>
Increase in net OPEB obligation	26,000
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ 26,000</u></u>

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

For the year ended June 30, 2010, the District contributed \$17,000 to the medical plan. Plan members eligible for benefits contributed \$18,000, or 51% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 43,000	39.53%	\$ 26,000

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 \$256,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$256,000. The covered payroll (annual payroll of active employees covered by the plan) was \$865,640, and the ratio of the UAAL to covered payroll was 29.57%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care 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 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 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 Alternative Measurement Method, a simplified version of the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical plan for retirees under age 65 are illustrated per month in the following table.

BCBS 500	BCBS 1500
\$ 1,109.80	942.30

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

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

District contributions to ISEBA for the year ended June 30, 2010 was \$147,428.

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

(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 \$103,857 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) Deficit Net Assets

At June 30, 2010, the General Fund had a deficit unreserved fund balance of \$340,597. The Enterprise, Nutrition Fund had a deficit unrestricted net assets of \$12,743 at June 30, 2010. The District also had deficit unrestricted net assets in the Governmental Activities of \$326,253.

(12) 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 other expenditures function exceeded the amounts budgeted.

(13) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Home school assistance	\$ 1,332
Talented and gifted	326
Teacher salary supplement	27,095
Professional development	9,238
Core curriculum	4,624
Market factor	2,019
Total	<u>\$ 44,634</u>

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,377,422	29,725	1,407,147	1,410,327	1,410,327	(3,180)
State sources	1,024,714	882	1,025,596	1,271,659	1,271,659	(246,063)
Federal sources	355,308	61,349	416,657	243,527	243,527	173,130
Total revenues	<u>2,757,444</u>	<u>91,956</u>	<u>2,849,400</u>	<u>2,925,513</u>	<u>2,925,513</u>	<u>(76,113)</u>
Expenditures/Expenses:						
Instruction	1,921,262	0	1,921,262	1,966,928	1,966,928	45,666
Support services	896,435	1,926	898,361	1,051,873	1,051,873	153,512
Non-instructional programs	0	80,876	80,876	92,870	92,870	11,994
Other expenditures	540,843	0	540,843	376,942	376,942	(163,901)
Total expenditures/expenses	<u>3,358,540</u>	<u>82,802</u>	<u>3,441,342</u>	<u>3,488,613</u>	<u>3,488,613</u>	<u>47,271</u>
Excess(deficiency) of revenues over(under) expenditures	(601,096)	9,154	(591,942)	(563,100)	(563,100)	(28,842)
Other financing sources, net	241,721	0	241,721	0	0	241,721
Excess(deficiency) of revenues over(under) expenditures/expenses	(359,375)	9,154	(350,221)	(563,100)	(563,100)	212,879
Balance beginning of year	451,106	(15,611)	435,495	563,100	563,100	(127,605)
Balance end of year	<u>\$ 91,731</u>	<u>(6,457)</u>	<u>85,274</u>	<u>0</u>	<u>0</u>	<u>85,274</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

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

During the year ended June 30, 2010, District expenditures in the other expenditures function exceeded the amount budgeted.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 256,000	\$ 256,000	0.00%	\$ 865,640	29.57%

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

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	<u>Special Revenue</u>		
	Activity	Levy	Total
Assets			
Cash and pooled investments	\$ 32,277	28,528	60,805
Receivables:			
Property tax:			
Delinquent	0	498	498
Accounts	800	0	800
Total Assets	<u>\$ 33,077</u>	<u>29,026</u>	<u>62,103</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,367	833	4,200
Total liabilities	<u>3,367</u>	<u>833</u>	<u>4,200</u>
Fund balances:			
Unreserved	29,710	28,193	57,903
Total fund balances	<u>29,710</u>	<u>28,193</u>	<u>57,903</u>
Liabilities and Fund Balances	<u>\$ 33,077</u>	<u>29,026</u>	<u>62,103</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service		
REVENUES:					
Local sources:					
Local tax	\$ 0	24,029	24,029	0	24,029
Other	94,208	440	94,648	15	94,663
State sources	0	15	15	0	15
TOTAL REVENUES	94,208	24,484	118,692	15	118,707
EXPENDITURES:					
Current:					
Instruction:					
Other	105,048	0	105,048	0	105,048
Support services:					
Transportation	0	11,318	11,318	0	11,318
Other expenditures:					
Facilities acquisitions	0	19,550	19,550	0	19,550
Long-term debt:					
Principal	0	0	0	150,019	150,019
Interest	0	0	0	1,175	1,175
TOTAL EXPENDITURES	105,048	30,868	135,916	151,194	287,110
Deficiency of revenues under expenditures	(10,840)	(6,384)	(17,224)	(151,179)	(168,403)
Other financing sources(uses):					
Transfer in	0	0	0	96,903	96,903
Transfer out	0	(5,228)	(5,228)	0	(5,228)
Total other financing sources(uses)	0	(5,228)	(5,228)	96,903	91,675
Net change in fund balances	(10,840)	(11,612)	(22,452)	(54,276)	(76,728)
Fund balance beginning of year	40,550	39,805	80,355	54,276	134,631
Fund balance end of year	\$ 29,710	28,193	57,903	0	57,903

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,142	387	953	1,576
Vocal	254	0	150	104
Instrumental	(556)	0	0	(556)
Football	22	0	403	(381)
Baseball	0	0	125	(125)
Athletics	5,766	18,509	22,411	1,864
Weightlifting Club	1,242	540	1,135	647
Girls Softball Club	318	0	0	318
Elementary Carnival	915	8,744	6,707	2,952
Class of 2007	(18)	0	0	(18)
Class of 2008	618	0	618	0
Class of 2009	832	0	832	0
Class of 2010	2,442	2,646	3,201	1,887
Class of 2011	326	4,010	3,929	407
Class of 2012	409	200	27	582
Class of 2013	122	180	0	302
Class of 2014	95	5	0	100
Class of 2015	40	0	0	40
Class of 2016	90	0	0	90
Class of 2017	0	50	0	50
Yearbook	1,482	4,822	8,794	(2,490)
Corner Conference	816	1,100	284	1,632
National Honor Society	2,541	0	904	1,637
Concession Stand	482	7,904	9,874	(1,488)
Cheerleaders	779	2,751	3,265	265
Drill Team	257	6,298	5,928	627
Student Council	49	928	720	257
FCCLA	185	0	0	185
BPA	1,322	3,281	3,499	1,104
FFA	8,552	12,797	16,318	5,031
MS Student Council	(1,783)	2,833	2,424	(1,374)
Spanish Club	329	0	0	329
Trips and Activities	0	470	797	(327)
Library	1,737	2,204	2,150	1,791
Washington DC Trip Fund	0	2,400	2,400	0
Booster Club	8,019	10,574	7,185	11,408
Gate Change	(200)	0	15	(215)
Activity interest	1,019	575	0	1,594
Pop Machine	(95)	0	0	(95)
Total	\$ 40,550	94,208	105,048	29,710

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 1,191,552	1,214,460	1,073,491	1,122,128	1,053,799	1,167,875	1,159,197
Tuition	61,577	57,010	56,415	66,354	65,691	65,477	51,912
Other	124,293	150,121	124,501	164,487	171,058	139,346	166,910
Intermediate sources	0	0	0	85,000	3,797	0	0
State sources	1,024,714	1,269,665	1,348,724	1,198,545	1,191,256	1,253,081	1,302,959
Federal sources	355,308	147,298	146,570	183,652	137,597	129,141	489,953
Total	\$ 2,757,444	2,838,554	2,749,701	2,820,166	2,623,198	2,754,920	3,170,931
Expenditures:							
Current:							
Instruction:							
Regular	\$ 1,119,005	1,121,478	1,201,674	1,067,806	1,092,910	1,047,608	1,015,036
Special	497,362	359,356	390,752	475,750	358,508	319,517	325,089
Other	304,895	285,572	247,985	190,477	322,403	330,026	282,762
Support services:							
Student	77,316	44,213	16,800	7,716	3,615	4,178	21,669
Instructional staff	32,743	39,499	89,522	136,776	69,140	52,201	21,005
Administration	315,668	331,525	306,779	410,434	334,274	318,601	348,487
Operation and maintenance of plant	275,301	286,422	270,375	267,555	244,677	257,790	213,837
Transportation	195,407	125,611	114,221	138,947	111,292	156,367	84,470
Other expenditures:							
Facilities acquisitions	285,792	64,835	91,740	76,661	165,545	161,259	534,691
Long-term debt:							
Principal	150,019	40,000	35,000	35,000	35,000	30,000	30,000
Interest	1,175	4,400	5,660	6,719	7,579	9,393	10,598
AEA flow-through	103,857	97,571	94,850	91,837	90,274	92,612	94,165
Total	\$ 3,358,540	2,800,482	2,865,358	2,905,678	2,835,217	2,779,552	2,981,809

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Page Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 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 South Page Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of South Page Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Page Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 that 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 on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Finding and Questioned Costs as item I-A-10 to be a 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 deficiencies described in Part I of the accompanying Schedule of Finding and Questioned Costs as items I-B-10 through I-E-10 to be significant deficiencies.

Compliance and Other Matters

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

South Page Community School District's responses to 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 South Page Community School District's responses and, accordingly, we express no opinion on them.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2011

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

I-B-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 Superintendent will do a better job of coding expenditures to categorical grants.

Conclusion - Response accepted.

I-C-10 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The timesheets turned in to central office need to be reviewed for determination if minimum wage is paid.

Response - The District has created a form and is requesting coaches who are non-certified staff document hours worked. The sheets returned to the central office will be reviewed to determine if minimum wage was paid.

Conclusion - Response accepted.

- I-D-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. At times it appeared that the Athletic Director's secretary was the only person reconciling the gate receipts.

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 - The district has set up a procedure for ticket takers to reconcile gates.

Conclusion - Response accepted.

- I-E-10 Supporting Documents for Payments to Officials - We noted during the audit that payments were made to athletic officials from the Student Activity Fund, however, there were not always copies of the contracts with the paid bills.

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

Response - The Athletic Director has a copy of contracts on file in the office.

Conclusion - Response accepted.

OTHER MATTERS:

- I-F-10 Board Policies - We noted during our audit the District has not updated their board policies as required by Department of Education. The policies are to be reviewed and updated every 5 years. It was also, noted that the District has not developed and implemented a cell phone policy.

Recommendation - The District should review their board policies in place and update or implement the necessary policies.

Response - The district contracted with IASB to review District policies. The superintendent is using those recommendations to update policy for consideration by the board.

Conclusion - Response accepted.

I-G-10 Student Activity Fund Interest - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated to individual accounts in the Student Activity Fund for several years.

Recommendation - Interest earned each year should be allocated out on an annual basis to the individual activity accounts.

Response - The District has taken corrective action and interest will be allocated on an annual basis.

Conclusion - Response accepted.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

II-A-10 Certified Budget - District expenditures for the year ended June 30, 2010 exceeded the amount budgeted in the other expenditures function.

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

Response - The certified budget will be amended as necessary in the future.

Conclusion - Response accepted.

II-B-10 Questionable Disbursements - We noted during our audit disbursements that appear not to meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Clothing Purchased for Coaches: We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - All coaching staff and district sponsors have been made aware of this and have been instructed to purchase their own clothing. The district will also look at making this a board policy in the future.

Conclusion - Response accepted.

Cash Incentives to Students: We noted during our audit that cash was being given to students as incentive prizes for being top sellers in fundraising events. Giving cash to students as incentive prizes does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - The district has eliminated the practice of giving cash to students for fundraising events.

Conclusion - Response accepted.

II-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Karl Kenagy, Board Member Owns Karl's Automotive Service	Services	\$7,853

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

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

Response - Karl Kenagy is no longer serving as a board member, so there will no longer be this conflict of interest.

Conclusion - Response accepted.

II-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.

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

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

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

II-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.

II-J-10 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The CAR was not submitted in a timely manner due to difficulties completing the Special Education Supplement.

Conclusion - Response accepted.

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

II-L-10 Statewide Sales, Services and Use Tax - We noted during our audit 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. The District purchased miscellaneous computer software and equipment, which were below the single unit price of \$500. See also comment II-R-10

Recommendation - The District should review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures. The District should make a corrective transfer of \$6,751.22 from the General Fund to the Capital Projects Fund.

Response - The superintendent has reviewed Chapter 298.3 and the corrective transfer has been completed.

Conclusion - Response accepted.

Beginning Balance		\$	35,493
Statewide sales, services and use tax revenue			130,146
Expenditures/transfers out:			
School Infrastructure			
Equipment	\$	68,736	
Debt service for school infrastructure:			
Revenue debt		31,884	
Capital lease		65,019	165,639
		<u> </u>	<u> </u>
Ending Balance		\$	<u> </u> 0

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

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical plant and equipment levy	<u>\$ 1.34000</u>	<u>\$ 93,098</u>

II-M-10 Financial Condition - We noted during our audit that the Student Activity Fund included ten accounts with negative balances totalling \$7,069. We also noted that the Proprietary Fund, School Nutrition Fund had deficit unrestricted net assets of \$12,743 at June 30, 2010. We noted during our audit that the District had a deficit unreserved fund balance in the General Fund for \$340,597 and deficit unrestricted net assets in the governmental activities of \$326,253.

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

Response - The district will be significantly increasing cash reserve levy for 2011-12 to resolve the deficit General Fund balance. Student Activity accounts will be monitored more closely in the future.

Conclusion - Response accepted.

II-N-10 Signing of Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts to comply with Chapter 291.1 of the Code of Iowa.

Response - The board will create a form to include the Board President's signature.

Conclusion - Response accepted.

II-O-10 Checks Outstanding - We noted during our audit that the District had checks included in the Student Activity and General Fund bank reconciliations which have been outstanding for over a year.

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

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

Conclusion - Response accepted.

II-P-10 Student Activity Fund - In accordance with Chapter 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. More specific examples of these instances of questioned items and recommendations are as follows:

Questionable Accounts: We noted during our audit that the Library Fund, Book Fair, Class of 2007, Class of 2008, and Class of 2009 accounts were in the Student Activity Fund.

Recommendation - It would appear that the Library Fund and Book Fair accounts are instructional in nature and would be more appropriately handled in the General Fund. With regard to the Class of 2007, Class of 2008, and Class of 2009 accounts, once classes have graduated, the account should be closed and reclassified to another account in the Student Activity Fund.

The District should review these accounts and reclassify/transfer to the appropriate accounts in the Student Activity Fund or to other funds to be in compliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1).

Response - Library and Book Fair monies will be receipted into the General Fund. Old Class Accounts will be distributed to other individual activity fund accounts or used to start up funds for the next incoming class.

Conclusion - Response accepted.

II-Q-10 District and Regional Rents - The district receives money for use of facilities when hosting district and regional events. Currently the District's practice is to receipt rents for hosting district and regional events into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. In the future, the District needs to receipt rent collected for facility usage into the General Fund.

Response - In the future the District will receipt rent money for District and Regional Events in the General Fund.

Conclusion - Response accepted.

II-R-10 Capital Projects/Physical Plant and Equipment Levy (PPEL) Expenditures - We noted during our audit that the District entered into a lease-purchase agreement with Apple Computer Company for laptop computers, network set up, software and other related support/warranties for the District's One on One Initiative. The related debt obligation to this capital asset purchase has been recognized by the District as a Capital Projects/PPEL capital-lease purchase. The first lease payment was due in fiscal 2010 and the District intends on paying the entire lease amount from the Capital Projects and PPEL Funds. Per contents of the lease agreement, it appears not all of the items listed in the lease agreement would be allowable Capital Projects and PPEL Fund expenditures.

Recommendation - According to the Uniform Administrative Procedures Manual, "Iowa school districts operate under Dillon's Rule which states that school corporations possess and can exercise the following powers and not others: Those granted in express words, those necessarily implied or necessarily incident to the powers expressly granted, and those absolutely essential to the declared objects and purposes of the school corporation -- not simply convenient or desired, but indispensable. School districts cannot do by indirect means anything they do not have direct authority to do, and laws granting powers to school districts shall be construed narrowly to limit district authority to the precise language of the authorizing statute. The mere absence of a prohibition against an action or activity in code does not give a school district authority to initiate that action or activity. Interpretation of school law and rules relating to the school laws may only be done by the Iowa Attorney General's Office and the Iowa Department of Education. These Opinions or Rules, once given, have the effect of law on school corporations."

According to the District's revenue purpose statement, statewide sales, services and use tax can be spent for PPEL type expenditures. According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used expressly for the purchase, lease or lease-purchase of a single unit of equipment or technology exceeding \$500 per unit. Additionally, Iowa Administrative Code 281-98.64(3) specifically identifies equipment maintenance as an inappropriate use of PPEL funds. Therefore, statewide sales, services and tax expenditures have the same restrictions outlined in the Code sections.

As school districts operate under Dillon's Rule, the purchase of the individual items for more than \$500 per unit would be allowable Capital Projects and PPEL Fund expenditures. However, costs included in the lease-purchase agreement for items such as training, warranties and maintenance do not appear to be allowable Capital Projects and PPEL Fund expenditures as expressly stated in Chapter 298.3 of the Code of Iowa.

It would appear that \$64,382 of the lease is for expenditures unallowable from the Capital Projects and PPEL Fund. It is our opinion that these costs are inappropriate Capital Projects/PPEL Fund expenditures and should be paid from the General Fund. A more detailed breakout of the questioned costs is as follows:

Training	\$	21,870
Warranties		39,020
Maintenance		3,492
Total	\$	<u>64,382</u>

The District should contact the Iowa Department of Education for a Declaratory Ruling or the Iowa Attorney General's Office for an Attorney General's Opinion specific to the District's purchases made under the lease-purchase agreement.

Response - We were advised that the District's One on One Initiative is a 'package' and not operational without all the components, including the items questioned. We will ask the Department of Education, our cognizant agent, for determination of allowable costs to Capital Projects. We will at that time make necessary adjustments. However, until Department of Education validates the auditor's position, we are following the advice of legal counsel. Therefore, we intend to pay for the lease from PPEL and Capital Projects funds.

Conclusion - Response acknowledged.