

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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South Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Michelle Yuska	President	2009
Ron Hala	Vice President	2009
Jackie Dvorak	Board Member	2011
Mark McFate	Board Member	2011
Anne Michael	Board Member	2011
Board of Education (After September 2009 Election)		
Michelle Yuska	President	2013
Ron Hala	Vice President	2013
Jackie Dvorak	Board Member	2011
Mark McFate	Board Member	2011
Anne Michael	Board Member	2011
School Officials		
Kerri Nelson	Superintendent	2010
Kim Gardner	District Secretary	2010
Joanna Hofer	Director of Finance and Operations	2010
Peter Pashler	Attorney	2010
Joel Greer	Attorney	2010

South Tama Community School District

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the South Tama County Community School District, Tama, Iowa as of and for the year ended June 30, 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 Tama County 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 24, 2011 on our consideration of South Tama County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 are not required parts of the

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Tama County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the 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 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Tama County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$14,855,543 in fiscal 2009 to \$13,708,639 in fiscal 2010, while General Fund expenditures increased from \$15,044,643 in fiscal 2009 to \$15,481,920 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$1,591,743 in fiscal 2009 to a deficit balance of \$181,538 in fiscal 2010, a 111.41% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in state aid during fiscal 2010. The increase in expenditures was due primarily to increases in negotiated salaries and benefits.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 8.9% for fiscal year 2009 to negative 3.06% for fiscal year 2010.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

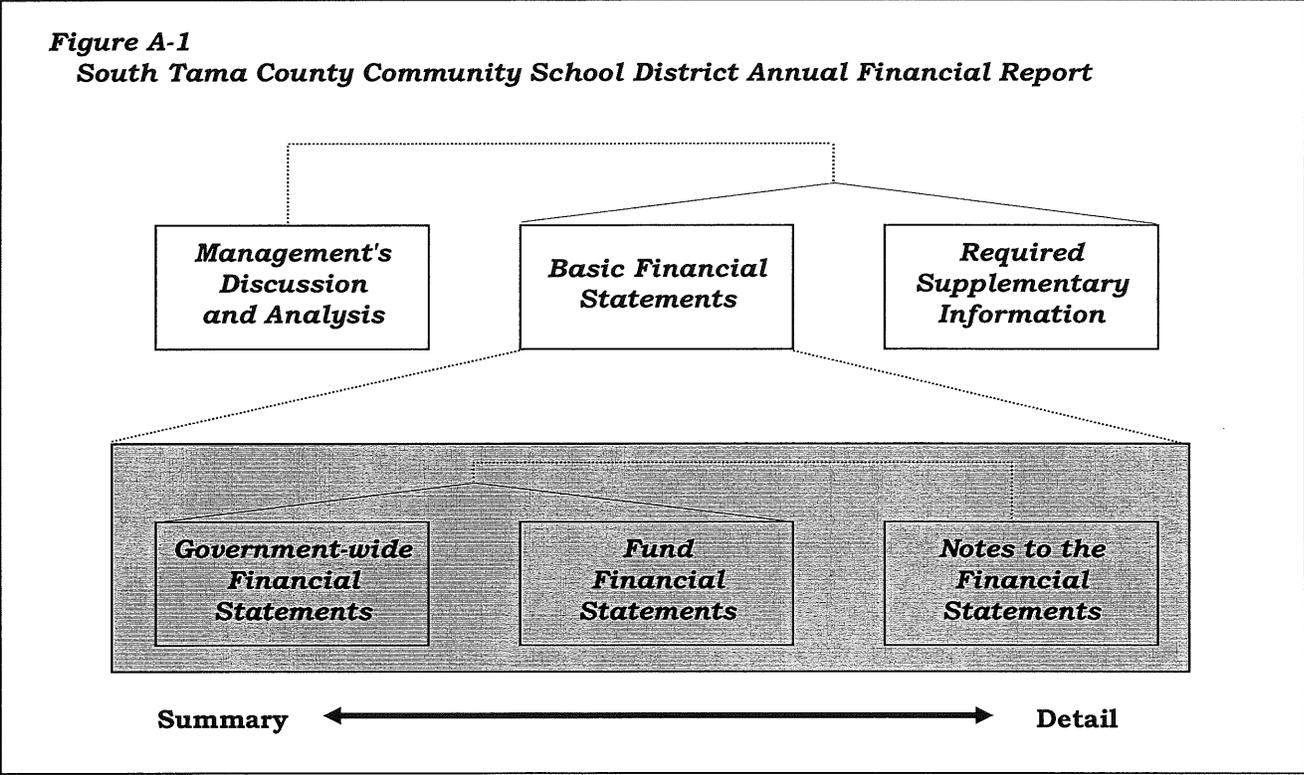


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total Change June 30, 2009-10
	Activities		Activities		School District		
	June 30, 2010	2009	June 30, 2010	2009	June 30, 2010	2009	
Current and other assets	\$ 8,316,141	9,696,807	71,783	69,388	8,387,924	9,766,195	-14.11%
Capital assets	11,816,554	11,778,698	85,001	79,317	11,901,555	11,858,015	0.37%
Total assets	20,132,695	21,475,505	156,784	148,705	20,289,479	21,624,210	-6.17%
Long-term obligations	8,801,458	8,024,756	1,567	704	8,803,025	8,025,460	9.69%
Other liabilities	5,786,881	5,653,573	34,840	46,671	5,821,721	5,700,244	2.13%
Total liabilities	14,588,339	13,678,329	36,407	47,375	14,624,746	13,725,704	6.55%
Net assets:							
Invested in capital assets, net of related debt	4,541,554	4,128,698	85,001	79,317	4,626,555	4,208,015	9.95%
Restricted	2,609,555	2,453,945	-	-	2,609,555	2,453,945	6.34%
Unrestricted	(1,606,753)	1,214,533	35,376	22,013	(1,571,377)	1,236,546	-227.08%
Total net assets	\$ 5,544,356	7,797,176	120,377	101,330	5,664,733	7,898,506	-28.28%

The District's combined net assets decreased by 28.28%, or \$2,233,773, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$155,610, or 6.34% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$2,807,923, or 227.08%.

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
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 538,962	610,796	263,640	306,229	802,602	917,025	-12.48%
Operating grants and contributions and restricted interest	4,062,522	3,335,734	444,843	411,282	4,507,365	3,747,016	20.29%
Capital grants and contributions and restricted interest	92,856	8,880	-	-	92,856	8,880	945.68%
General revenues:							
Property tax	3,817,340	3,707,201	-	-	3,817,340	3,707,201	2.97%
Income surtax	380,455	336,708	-	-	380,455	336,708	12.99%
Statewide sales, services and use tax	992,760	942,491	-	-	992,760	942,491	5.33%
Unrestricted state grants	5,905,064	7,690,584	-	-	5,905,064	7,690,584	-23.22%
Other	156,673	279,636	2,676	4,927	159,349	284,563	-44.00%
Transfers	63,271	(66,050)	(63,271)	66,050	-	-	0.00%
Total revenues & transfers	16,009,903	16,845,980	647,888	788,488	16,657,791	17,634,468	-5.54%
Program expenses:							
Governmental activities:							
Instruction	11,108,935	10,867,217	-	-	11,108,935	10,867,217	2.22%
Support services	5,521,091	4,646,501	-	-	5,521,091	4,646,501	18.82%
Non-instructional programs	-	-	628,841	775,284	628,841	775,284	-18.89%
Other expenses	1,632,697	1,526,180	-	-	1,632,697	1,526,180	6.98%
Total expenses	18,262,723	17,039,898	628,841	775,284	18,891,564	17,815,182	6.04%
Change in net assets	(2,252,820)	(193,918)	19,047	13,204	(2,233,773)	(180,714)	1136.08%
Net assets beginning of year	7,797,176	7,991,094	101,330	88,126	7,898,506	8,079,220	-2.24%
Net assets end of year	\$ 5,544,356	7,797,176	120,377	101,330	5,664,733	7,898,506	-28.28%

In fiscal 2010, property tax, income surtax and statewide sales, services and use tax and unrestricted state grants account for 69.30% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$16.66 million of which approximately \$16.01 million was for governmental activities and approximately \$0.65 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.54% decrease in revenues and a 6.04% increase in expenses. The decrease in revenues is related to decreases in state aid during 2010. The increase in expenditures related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$16,009,903 and expenses were \$18,262,723.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 11,108,935	10,867,217	2.22%	7,214,513	7,554,520	-4.50%
Support services	5,521,091	4,646,501	18.82%	5,504,710	4,614,500	19.29%
Other expenses	1,632,697	1,526,180	6.98%	849,160	915,468	7.24%
Totals	\$ 18,262,723	17,039,898	7.18%	13,568,383	13,084,488	3.70%

- The cost financed by users of the District's programs was \$538,962.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,155,378.
- The net cost of governmental activities was financed with \$3,817,340 in property tax, \$380,455 in income surtax, \$992,760 in statewide sales, services and use tax, \$5,905,064 in unrestricted state grants, \$79,896 in interest income and other general revenues of \$76,777.

Business type Activities

Revenues of the District's business type activities were \$647,888 and expenses were \$628,841. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,243,988, compared to last year's ending fund balances of \$3,786,086. The decrease in overall fund balance is mainly due to the decrease in fund balance of the General Fund.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors:
 - An across-the-board 10% reduction of state revenues resulted in a substantial decrease in revenues as compared to the prior fiscal year.
 - The increase in expenditures was due to increases in the negotiated salary and benefits.
 - The increase in expenditures combined with the decrease in revenues ensured the decline to the General Fund.
- The Capital Projects Fund balance decreased from \$1,547,372 in fiscal 2009 to \$1,536,928 in fiscal 2010. This was due to expenses exceeding revenues.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$101,330 at June 30, 2009 to \$120,377 at June 30, 2010, representing an increase of 18.8%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$757,803 less than budgeted revenues, a variance of 4.36%, a result of the 10% across-the-board cut in state funds, enacted in October, 2009. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were more than budgeted, primarily due 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 budgetary practice, the certified budget was exceeded in the support services and other expenditure functional areas. The District exceeded its total certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$11,901,555, 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 .37% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$548,421.

The original cost of the District's capital assets was \$17,730,797. Governmental funds account for \$17,478,342 with the remainder of \$252,455 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2009, compared to \$169,712 reported at June 30, 2010. This increase resulted from the fiber optic project that was started but not completed at June 30, 2010.

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	\$ 314,400	314,400	-	-	314,400	314,400	0.00%
Construction in progress	169,712	-	-	-	169,712	-	100.00%
Buildings	10,730,234	10,991,416	-	-	10,730,234	10,991,416	-2.38%
Improvements other than buildings	152,903	166,810	-	-	152,903	166,810	-8.34%
Machinery and equipment	449,305	306,072	85,001	79,317	534,306	385,389	38.64%
Total	\$ 11,816,554	11,778,698	85,001	79,317	11,901,555	11,858,015	0.37%

Long-Term Debt

At June 30, 2010, the District had \$8,803,025 in general obligation and other long-term debt outstanding. This represents an increase of 9.69% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$7,275,000 at June 30, 2010.

The District had compensated absences at June 30, 2010 of \$22,447.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$1,505,578 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 7,275,000	7,650,000	-	-	7,275,000	7,650,000	-4.90%
Compensated absences	20,880	21,423	1,567	704	22,447	22,127	1.45%
Early retirement	1,505,578	353,333	-	-	1,505,578	353,333	326.11%
Total	\$ 8,801,458	8,024,756	1,567	704	8,803,025	8,025,460	9.69%

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 economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.

-
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the South Tama County Community Schools employer benefit costs over the next three years.
 - Enrollment in the South Tama Community School District has declined from 1648.4 reported on Line 7 of the District's 2007 certified enrollment to 1596.2 reported on the same line on the District's 2008 certified enrollment, to 1508.55 on the District's 2009 enrollment. It is anticipated that enrollment will remain relatively steady over the next several years.
 - The District has implemented a staffing plan, effective FY11, of approximately 5% fewer employees. This reduction, when combined with a significantly higher Cash Reserve levy beginning in FY11, will allow the District's fund balance to improve.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joanna Hofer, Director of Finance and Operations, South Tama County Community School District, 1702 Harding St., Tama, Iowa, 52339.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,911,735	39,078	2,950,813
Receivables:			
Property tax:			
Delinquent	108,005	-	108,005
Succeeding year	4,099,184	-	4,099,184
Income surtax	326,491	-	326,491
Accounts	-	412	412
Due from other governments	862,690	-	862,690
Inventories	-	32,293	32,293
Capital assets, net of accumulated depreciation	11,816,554	85,001	11,901,555
Net OPEB asset	8,036	-	8,036
Total Assets	20,132,695	156,784	20,289,479
Liabilities			
Salaries and benefits payable	1,501,052	25,458	1,526,510
Accrued interest payable	49,255	-	49,255
Deferred revenue:			
Succeeding year property tax	4,099,184	-	4,099,184
Other	137,390	-	137,390
Unearned revenue	-	9,382	9,382
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	390,000	-	390,000
Compensated absences	20,880	1,567	22,447
Early retirement payable	362,008	-	362,008
Portion due after one year:			
General obligation bonds payable	6,885,000	-	6,885,000
Early retirement payable	1,143,570	-	1,143,570
Total Liabilities	14,588,339	36,407	14,624,746
Net Assets			
Invested in capital assets, net of related debt	4,541,554	85,001	4,626,555
Restricted for:			
Debt service	356,573	-	356,573
Categorical funding	237,505	-	237,505
Physical plant and equipment levy	312,622	-	312,622
Capital projects	1,536,928	-	1,536,928
Other special revenue purposes	165,927	-	165,927
Unrestricted	(1,606,753)	35,376	(1,571,377)
Total Net Assets	\$ 5,544,356	120,377	5,664,733

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 7,383,924	142,047	2,629,449	-	(4,612,428)	-	(4,612,428)
Special	2,076,696	76,004	237,541	-	(1,763,151)	-	(1,763,151)
Other	1,648,315	304,530	504,851	-	(838,934)	-	(838,934)
	<u>11,108,935</u>	<u>522,581</u>	<u>3,371,841</u>	<u>-</u>	<u>(7,214,513)</u>	<u>-</u>	<u>(7,214,513)</u>
Support services:							
Student	658,019	-	-	-	(658,019)	-	(658,019)
Instructional staff	889,674	-	-	-	(889,674)	-	(889,674)
Administration	2,219,990	-	-	-	(2,219,990)	-	(2,219,990)
Operation and maintenance of plant	1,157,357	-	-	-	(1,157,357)	-	(1,157,357)
Transportation	596,051	16,381	-	-	(579,670)	-	(579,670)
	<u>5,521,091</u>	<u>16,381</u>	<u>-</u>	<u>-</u>	<u>(5,504,710)</u>	<u>-</u>	<u>(5,504,710)</u>
Other expenditures:							
Facilities and acquisitions	357,647	-	-	92,856	(264,791)	-	(264,791)
Long-term debt interest	305,280	-	-	-	(305,280)	-	(305,280)
AEA flowthrough	690,681	-	690,681	-	-	-	-
Depreciation (unallocated)*	279,089	-	-	-	(279,089)	-	(279,089)
	<u>1,632,697</u>	<u>-</u>	<u>690,681</u>	<u>92,856</u>	<u>(849,160)</u>	<u>-</u>	<u>(849,160)</u>
Total governmental activities	18,262,723	538,962	4,062,522	92,856	(13,568,383)	-	(13,568,383)
Business Type activities:							
Support Services:							
Administration	607	-	-	-	-	(607)	(607)
Non-instructional programs:							
Nutrition services	628,234	263,640	444,843	-	-	80,249	80,249
Total business type activities	<u>628,841</u>	<u>263,640</u>	<u>444,843</u>	<u>-</u>	<u>-</u>	<u>79,642</u>	<u>79,642</u>
Total	\$ 18,891,564	802,602	4,507,365	92,856	(13,568,383)	79,642	(13,488,741)
General Revenues & Transfers:							
General revenues:							
Property tax levied for:							
General purposes					\$ 3,657,684	-	3,657,684
Capital outlay					159,656	-	159,656
Income surtax					380,455	-	380,455
Statewide sales, services and use tax					992,760	-	992,760
Unrestricted state grants					5,905,064	-	5,905,064
Unrestricted investment earnings					79,896	1,280	81,176
Other					76,777	1,396	78,173
Transfers					63,271	(63,271)	-
Total general revenues & transfers					<u>11,315,563</u>	<u>(60,595)</u>	<u>11,254,968</u>
Changes in net assets					(2,252,820)	19,047	(2,233,773)
Net assets beginning of year					7,797,176	101,330	7,898,506
Net assets end of year					<u>\$ 5,544,356</u>	<u>120,377</u>	<u>5,664,733</u>

* This amount excludes the depreciation that is included in the direct expense of various programs
SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,019,493	1,033,456	858,786	2,911,735
Receivables:				
Property tax:				
Delinquent	78,193	-	29,812	108,005
Succeeding year	3,514,279	-	584,905	4,099,184
Income surtax	-	-	326,491	326,491
Due from other governments	359,218	503,472	-	862,690
Total Assets	\$ 4,971,183	1,536,928	1,799,994	8,308,105
Liabilities and Fund Balance				
Liabilities:				
Salaries and benefits payable	\$ 1,501,052	-	-	1,501,052
Deferred revenue:				
Succeeding year property tax	3,514,279	-	584,905	4,099,184
Income surtax	-	-	326,491	326,491
Other	137,390	-	-	137,390
Total liabilities	5,152,721	-	911,396	6,064,117
Fund balances:				
Reserved for:				
Debt service	-	-	356,573	356,573
Categorical funding	237,505	-	-	237,505
Unreserved	(419,043)	1,536,928	532,025	1,649,910
Total fund balances	(181,538)	1,536,928	888,598	2,243,988
Total Liabilities and Fund Balance	\$ 4,971,183	1,536,928	1,799,994	8,308,105

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	2,243,988
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		11,816,554
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		326,491
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		8,036
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(49,255)
Long-term liabilities, including general obligation bonds, early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(8,801,458)</u>
Net assets of governmental activities (page 18)	\$	<u>5,544,356</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,308,433	992,760	864,930	5,166,123
Tuition	182,651	-	-	182,651
Other	191,496	-	326,372	517,868
Intermediate sources	139,301	-	-	139,301
State sources	7,995,045	-	414	7,995,459
Federal sources	1,825,163	-	92,856	1,918,019
Total revenues	<u>13,642,089</u>	<u>992,760</u>	<u>1,284,572</u>	<u>15,919,421</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,621,478	-	-	6,621,478
Special	2,076,917	-	-	2,076,917
Other	1,399,210	-	249,171	1,648,381
	<u>10,097,605</u>	<u>-</u>	<u>249,171</u>	<u>10,346,776</u>
Support services:				
Student	550,398	-	-	550,398
Instructional staff	726,461	-	131,502	857,963
Administration	1,814,438	-	226,615	2,041,053
Operation and maintenance of plant	1,014,488	-	133,566	1,148,054
Transportation services	587,849	-	91,000	678,849
	<u>4,693,634</u>	<u>-</u>	<u>582,683</u>	<u>5,276,317</u>
Other expenditures:				
Facilities acquisitions	-	264,464	266,895	531,359
Long-term debt:				
Principal	-	-	375,000	375,000
Interest	-	-	307,936	307,936
AEA flowthrough	690,681	-	-	690,681
	<u>690,681</u>	<u>264,464</u>	<u>949,831</u>	<u>1,904,976</u>
Total expenditures	<u>15,481,920</u>	<u>264,464</u>	<u>1,781,685</u>	<u>17,528,069</u>
Excess (deficiency) of revenues over (under) expenditures	(1,839,831)	728,296	(497,113)	(1,608,648)
Other financing sources (uses):				
Transfers in	66,050	-	738,740	804,790
Transfers out	-	(738,740)	-	(738,740)
Sale of equipment	500	-	-	500
Total other financing sources (uses)	<u>66,550</u>	<u>(738,740)</u>	<u>738,740</u>	<u>66,550</u>
Net change in fund balances	(1,773,281)	(10,444)	241,627	(1,542,098)
Fund balance beginning of year	1,591,743	1,547,372	646,971	3,786,086
Fund balance end of year	<u>\$ (181,538)</u>	<u>1,536,928</u>	<u>888,598</u>	<u>2,243,988</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 22) \$ (1,542,098)

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

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

Capital outlays	\$ 574,926	
Depreciation expense	(537,070)	37,856

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 24,432

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. 375,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,656

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

Early Retirement	\$ (1,152,245)	
Compensated Absences	543	
Other postemployment benefits	1,036	(1,150,666)

Changes in net assets of governmental activities (page 19) \$ (2,252,820)

SEE NOTES TO FINANCIAL STATEMENTS.

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

		School Nutrition
ASSETS		
Current assets:		
Cash and pooled investments	\$	39,078
Accounts receivable		412
Inventories		32,293
Total current assets		71,783
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation		85,001
TOTAL ASSETS		156,784
LIABILITIES		
Current liabilities:		
Salaries and benefits payable		25,458
Unearned revenue		9,382
Total current liabilities		34,840
Long-term liabilities:		
Compensated absences		1,567
TOTAL LIABILITIES		36,407
NET ASSETS		
Invested in capital assets		85,001
Unrestricted		35,376
TOTAL NET ASSETS	\$	120,377

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 263,640
Miscellaneous	1,396
TOTAL OPERATING REVENUES	265,036
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	607
Non-instructional programs:	
Food service operations:	
Salaries	288,585
Benefits	41,473
Services	7,461
Supplies	279,364
Depreciation	11,351
	628,234
TOTAL OPERATING EXPENSES	628,841
OPERATING LOSS	(363,805)
NON-OPERATING REVENUES:	
State sources	7,155
Federal sources	437,688
Interest on investments	1,280
TOTAL NON-OPERATING REVENUES	446,123
Change in net assets before other financing sources(uses)	82,318
OTHER FINANCING SOURCES(USES):	
Transfer out	(66,050)
Capital contributions	2,779
TOTAL OTHER FINANCING SOURCES(USES)	(63,271)
Changes in net assets	19,047
Net assets beginning of year	101,330
Net assets end of year	\$ 120,377

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY 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	\$ 277,119
Cash received from miscellaneous	1,396
Cash payments to employees for services	(341,663)
Cash payments to suppliers for goods or services	(243,864)
Net cash used in operating activities	(307,012)
Cash flows from non-capital financing activities:	
Transfer out to General Fund	(66,050)
State grants received	7,155
Federal grants received	389,089
Net cash provided by non-capital financing activities:	330,194
Cash flows from investing activities:	
Interest on investments	1,280
Cash flows from capital financing activities:	
Purchase of assets	(14,256)
Net increase in cash and cash equivalents	10,206
Cash and cash equivalents at beginning of year	28,872
Cash and cash equivalents at end of year	\$ 39,078
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (363,805)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	48,599
Depreciation	11,351
Increase in inventories	(5,031)
Decrease in accounts receivable	12,842
Decrease in salaries and benefits payable	(12,468)
Increase in unearned revenue	637
Increase in compensated absences	863
Net cash used in operating activities	\$ (307,012)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$48,599.

During the year ended June 30, 2010, the District received \$2,779 in contributed capital from the PPEL Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 29,185
Due from other groups	148
Total Assets	<u>\$ 29,333</u>
Liabilities	
Due to other groups	\$ 29,333
Total liabilities	<u>\$ 29,333</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	10-50 years
Intangibles	2 or more
Machinery and equipment	5-20 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. The District exceeded its budget in the support services and other expenditures functional areas.

(2) **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of

deposit at federally insured depository institutions approved by the Board of Education; 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 no investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio pursuant to Rule 2a-7 under the Investment Company Act of 1940.

(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	\$ 738,740
General	Enterprise, School Nutrition	<u>66,050</u>
Total		<u>\$ 804,790</u>

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

The Nutrition Fund is repaying the General Fund for a prior year loan for the General Fund to the Nutrition Fund.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 235,420	17,035	-	252,455
Less accumulated depreciation	156,103	11,351	-	167,454
Business type activities capital assets, net	<u>\$ 79,317</u>	<u>5,684</u>	<u>-</u>	<u>85,001</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 314,400	-	-	314,400
Construction in progress	-	169,712	-	169,712
Total capital assets not being depreciated	314,400	169,712	-	484,112
Capital assets being depreciated:				
Buildings	13,445,418	4,000	-	13,449,418
Land improvements	278,149	-	-	278,149
Machinery and equipment	3,026,990	401,214	161,541	3,266,663
Total capital assets being depreciated	16,750,557	405,214	161,541	16,994,230
Less accumulated depreciation for:				
Buildings	2,454,002	265,182	-	2,719,184
Land improvements	111,339	13,907	-	125,246
Machinery and equipment	2,720,918	257,981	161,541	2,817,358
Total accumulated depreciation	5,286,259	537,070	161,541	5,661,788
Total capital assets being depreciated, net	11,464,298	(131,856)	-	11,332,442
Governmental activities capital assets, net	\$ 11,778,698	37,856	-	11,816,554

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 99,260
Support services:	
Instructional staff	3,191
Administration	5,035
Operation and maintenance of plant	80,266
Transportation	70,229
	<u>257,981</u>
Unallocated depreciation	<u>279,089</u>
Total governmental activities depreciation expense	<u>\$ 537,070</u>
Business type activities:	
Food services	<u>\$ 11,351</u>

(5) 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:					
General obligation bonds	\$ 7,650,000	-	375,000	7,275,000	390,000
Compensated absences	21,423	20,880	21,423	20,880	20,880
Early retirement	353,333	1,284,110	131,865	1,505,578	362,008
Total	\$ 8,024,756	1,304,990	528,288	8,801,458	772,888
Business Type Activities:					
Compensated absences	\$ 704	1,567	704	1,567	1,567

Bonds Payable

Details of the District's June 30, 2010 general obligation bonds are as follows:

Year Ending June 30,	Bond issue dated December 1, 2004				
	Interest Rates	Principal	Interest	Total	
2011	4.25 %	\$ 390,000	291,386	681,386	
2012	4.25	405,000	274,705	679,705	
2013	4.25	425,000	257,280	682,280	
2014	3.55-4.00	440,000	239,280	679,280	
2015	3.55-3.65	460,000	222,987	682,987	
2016	3.65-3.75	480,000	206,130	686,130	
2017	3.75-3.85	500,000	188,062	688,062	
2018	3.85-4.00	520,000	168,745	688,745	
2019	4.00-4.05	545,000	147,940	692,940	
2020	4.05-4.15	565,000	125,732	690,732	
2021	4.15-4.20	595,000	102,114	697,114	
2022	4.20-4.25	620,000	76,882	696,882	
2023	4.25-4.30	650,000	50,291	700,291	
2024	4.30-4.35	680,000	22,100	702,100	
Total		\$ 7,275,000	2,373,634	9,648,634	

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed six years of continuous service to the South Tama School District and at least fifteen years of total service to the education field. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percent of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum dollar amount of \$6,500 per individual. Early retirement benefits paid during the year ended June 30, 2010, totaled \$131,865. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund early retirement.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% 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 \$697,253, \$641,987 and \$574,713 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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

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

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

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

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

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

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

Annual required contribution	\$ 212,000
Interest on net OPEB obligation	(315)
Adjustment to annual required contribution	279
Annual OPEB cost (expense)	<u>211,964</u>
Contributions made	<u>(213,000)</u>
Increase in net OPEB obligation	(1,036)
Net OPEB obligation - beginning of year	<u>(7,000)</u>
Net OPEB obligation - end of year	<u>\$ (8,036)</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2010.

For fiscal year 2010, the District contributed \$213,000 to the medical plan. Plan members receiving benefits contributed \$169,000, or 44.2% 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:

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/10	\$211,964	100.5%	(\$8,036)

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2010, the actuarial accrued liability was \$2.312 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.312 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.493 million, and the ratio of the UAAL to the covered payroll was 51.5%. As of June 30, 2010, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each

valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

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

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$690,681 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.

(10) Deficit Fund Balance/Net Assets

The District had a deficit unreserved undesignated fund balance in the General Fund of \$419,043 and a deficit fund balance in the General Fund of \$181,538. The District also had a deficit unrestricted net assets balance in the Governmental Activities of \$1,606,753.

(11) Categorical Funding

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

<u>Project</u>	<u>Amount</u>
Statewide voluntary preschool	\$ 52,915
Beginning teacher mentoring	1,262
Additional teacher contract day	3,429
Beginning administrator mentoring	1,500
Early intervention	15,534
State decategorization grant	12,819
Juvenile delinquency grant	31,288
Model core curriculum	12,728
Professional development	94,380
Market factor incentives	11,650
Total	<u>\$ 237,505</u>

(12) Budget Overexpenditure

During the year ended June 30, 2010, the District exceeded the budget in the support services and other expenditure functional areas. The District also exceeded its total certified budget.

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 5,866,642	266,316	6,132,958	6,094,618	6,094,618	38,340
Intermediate sources	139,301	-	139,301	-	-	139,301
State sources	7,995,459	7,155	8,002,614	9,852,221	9,852,221	(1,849,607)
Federal sources	1,918,019	437,688	2,355,707	1,441,544	1,441,544	914,163
Total revenues	15,919,421	711,159	16,630,580	17,388,383	17,388,383	(757,803)
Expenditures/Expenses:						
Instruction	10,346,776	-	10,346,776	10,775,250	10,775,250	428,474
Support services	5,276,317	-	5,276,317	4,861,500	4,861,500	(414,817)
Non-instructional programs	-	628,841	628,841	707,000	707,000	78,159
Other expenditures	1,904,976	-	1,904,976	1,253,755	1,253,755	(651,221)
Total expenditures/expenses	17,528,069	628,841	18,156,910	17,597,505	17,597,505	(559,405)
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,608,648)	82,318	(1,526,330)	(209,122)	(209,122)	(1,317,208)
Other financing sources(uses), net	66,550	(63,271)	3,279	(680,836)	(680,836)	684,115
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing sources(uses)	(1,542,098)	19,047	(1,523,051)	(889,958)	(889,958)	(633,093)
Balance beginning of year	3,786,086	101,330	3,887,416	3,111,404	3,111,404	776,012
Balance end of year	\$ 2,243,988	120,377	2,364,365	2,221,446	2,221,446	142,919

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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, the District exceeded its budget in the support services and other expenditure functional areas.

SOUTH TAMA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll (b-a)/c
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
2009	July 1, 2008	\$ -	\$ 2,312,000	\$ 2,312,000	0.0%	\$ 9,045,000	25.6%
2010	July 1, 2008	-	2,312,000	2,312,000	0.0%	4,493,226	51.5%

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

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 45,222	165,927	291,064	502,213	356,573	858,786
Receivables:						
Property tax:						
Delinquent	8,254	-	21,558	29,812	-	29,812
Succeeding year	450,001	-	134,904	584,905	-	584,905
Income surtax	-	-	326,491	326,491	-	326,491
Total Assets	\$ 503,477	165,927	774,017	1,443,421	356,573	1,799,994
Liabilities and Fund Balances						
Liabilities:						
Deferred revenue:	\$					
Succeeding year property tax	450,001	-	134,904	584,905	-	584,905
Income surtax	-	-	326,491	326,491	-	326,491
Total liabilities	450,001	-	461,395	911,396	-	911,396
Fund balances:						
Reserved for debt service	-	-	-	-	356,573	356,573
Unreserved	53,476	165,927	312,622	532,025	-	532,025
Total fund balances	53,476	165,927	312,622	532,025	356,573	888,598
Total Liabilities and Fund Balances	\$ 503,477	165,927	774,017	1,443,421	356,573	1,799,994

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds				Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds		
REVENUES:						
Local sources:						
Local tax	\$ 349,251	-	515,679	864,930	-	864,930
Other	-	301,294	25,078	326,372	-	326,372
State sources	282	-	132	414	-	414
Federal sources	-	-	92,856	92,856	-	92,856
TOTAL REVENUES	349,533	301,294	633,745	1,284,572	-	1,284,572
EXPENDITURES:						
Current:						
Instruction:						
Other	-	249,171	-	249,171	-	249,171
Support services:						
Instructional staff	-	-	131,502	131,502	-	131,502
Administration	226,615	-	-	226,615	-	226,615
Operation and maintenance of plant	58,064	-	75,502	133,566	-	133,566
Student transportation	16,201	-	74,799	91,000	-	91,000
Other expenditures:						
Facilities acquisitions	-	-	266,895	266,895	-	266,895
Long-term debt:						
Principal	-	-	-	-	375,000	375,000
Interest	-	-	-	-	307,936	307,936
TOTAL EXPENDITURES	300,880	249,171	548,698	1,098,749	682,936	1,781,685
Deficiency of revenues under expenditures	48,653	52,123	85,047	185,823	(682,936)	(497,113)
Other financing sources:						
Transfers in	-	-	-	-	738,740	738,740
Net change in fund balance	48,653	52,123	85,047	185,823	55,804	241,627
Fund balance beginning of year	4,823	113,804	227,575	346,202	300,769	646,971
Fund balance end of year	\$ 53,476	165,927	312,622	532,025	356,573	888,598

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ -	4	-	4
Cross Country	500	3,547	3,047	1,000
Boys Basketball	3,698	6,567	7,299	2,966
Basketball fundraising	-	375	179	196
Football	6,702	18,416	15,709	9,409
Football fundraising	-	378	378	-
Special Fundraising	66	-	-	66
Boys Soccer	500	3,757	3,000	1,257
Girls Soccer	500	3,495	2,905	1,090
Baseball	3,000	6,793	6,333	3,460
Boys Golf	460	1,584	1,456	588
Girls Golf	250	1,804	1,441	613
Golf Fundraising	207	-	207	-
Wrestling	2,000	5,367	5,467	1,900
Girls Basketball	1,791	5,795	4,328	3,258
Volleyball	1,563	9,279	7,826	3,016
Softball	3,000	9,614	7,058	5,556
Boys Track	1,000	2,943	2,703	1,240
Girls Track	1,263	3,796	3,057	2,002
Boys Tennis	1,725	370	1,483	612
Girls Tennis	1,725	1,362	2,551	536
Elementary Activity	5,308	3,806	4,033	5,081
Elementary Assembly	189	-	-	189
Elementary Red Ribbon	190	-	-	190
Elementary Book Fair	-	3,210	3,210	-
MS Activities	1,843	-	-	1,843
MS Assembly	3,831	531	566	3,796
MS Athletics	4,586	10,352	8,911	6,027
MS Concessions	-	-	-	-
MS Band	1,130	1,393	1,377	1,146
MS Vocal	774	89	-	863
MS Student Council	1,600	1,743	1,867	1,476
MS Magazine Sales	2,840	24,711	21,282	6,269
MS Special Ed Activity	7,125	-	-	7,125
HS Activities	682	2,470	810	2,342
HS Athletic-Activity	3,422	10,955	10,118	4,259
SBYS Activities	51	25	25	51
Diversity Account	1,311	120	50	1,381
HS Drill Team	566	284	302	548

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
Annual	7,391	8,575	8,222	7,744
Art Activities	898	115	1	1,012
Art Club	836	-	475	361
Cheerleaders	376	2,412	2,735	53
ALM Club	1,086	858	612	1,332
HS Class Activity	307	-	-	307
Class of 2009	43	-	-	43
Class of 2010	177	3,471	3,431	217
Class of 2012	-	47	47	-
Class of 2013	-	66	66	-
HS Concessions	-	35,868	29,605	6,263
Drama Club	1,245	5,959	5,915	1,289
Environmental Science	110	4,613	1	4,722
FCA Club	446	-	-	446
FFA Club	8,108	19,302	18,069	9,341
FCCLA Club	-	22	-	22
National Honor Society	100	299	299	100
National Art Honor Society	-	832	832	-
HS Band	3,255	25,718	7,268	21,705
Harding Street	1,352	918	1,508	762
Musical	3,215	3,207	1,134	5,288
HS Vocal	2,671	961	1,099	2,533
Music Dept Cards	647	-	-	647
HS PE Club	-	25	-	25
Plays	2,804	1,553	1,854	2,503
Pop, HS Student	1,150	12,637	10,715	3,072
Speech Activities	-	3,842	3,842	-
Speech Club	562	412	612	362
HS Special Ed	1,028	-	-	1,028
HS Student Council	509	9,671	9,168	1,012
HS Vending	-	4,341	4,341	-
Volleyball Club	976	-	860	116
HS Prom Account	1,363	3,571	2,884	2,050
Blue Crew	607	835	387	1,055
HS Color Guard	100	1,082	650	532
Athletic Tickets	7,044	1,791	900	7,935
HS Gamers Club	-	3,356	2,661	695
Total	\$ 113,804	301,294	249,171	165,927

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 JUNE 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 39,722	50,892	61,429	29,185
Due from other groups	148	-	-	148
Total assets	\$ 39,870	50,892	61,429	29,333
Liabilities				
Due to other groups	\$ 39,870	50,892	61,429	29,333
Total liabilities	\$ 39,870	50,892	61,429	29,333

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 5,166,123	4,977,485	4,759,199	4,442,371	4,469,659	4,122,921	3,633,127
Tuition	182,651	168,851	171,241	139,472	152,363	132,301	126,783
Other	517,868	728,177	915,783	708,657	660,114	730,825	593,641
Intermediate sources	139,301	500	-	2,000	5,895	1,530	1,825
State sources	7,995,459	9,484,059	9,187,454	8,255,004	8,113,530	7,803,209	6,952,980
Federal sources	1,918,019	1,544,043	1,203,147	1,221,073	1,646,920	1,389,011	1,246,690
Total	<u>\$ 15,919,421</u>	<u>16,903,115</u>	<u>16,236,824</u>	<u>14,768,577</u>	<u>15,048,481</u>	<u>14,179,797</u>	<u>12,555,046</u>
Expenditures:							
Current:							
Instruction:							
Regular	\$ 6,621,478	6,415,047	6,211,111	5,669,803	5,346,409	5,169,553	5,222,259
Special	2,076,917	2,132,297	2,111,149	1,919,218	2,644,628	2,510,195	2,402,292
Other	1,648,381	2,160,490	1,823,380	1,710,503	993,609	1,090,402	884,448
Support services:							
Student	550,398	291,971	285,627	218,513	287,237	230,147	307,912
Instructional staff	857,963	502,609	352,132	299,096	356,873	197,301	184,627
Administration	2,041,053	2,007,267	1,948,973	1,890,429	1,871,832	2,022,185	1,540,421
Operation and maintenance of plant	1,148,054	1,121,137	1,182,312	1,335,823	1,222,974	1,049,550	982,246
Transportation services	678,849	732,906	584,335	574,556	644,149	465,085	491,554
Central services	-	-	-	-	-	-	7,533
Other expenditures:							
Facilities acquisitions	531,359	324,846	281,796	1,260,095	8,222,543	687,194	75,135
Long-term debt:							
Principal	375,000	360,000	345,000	330,000	315,000	-	-
Interest	307,936	322,893	335,380	345,355	354,317	148,869	-
AEA flowthrough	690,681	601,832	577,648	528,031	512,470	499,369	472,195
Total	<u>\$ 17,528,069</u>	<u>16,973,295</u>	<u>16,038,843</u>	<u>16,081,422</u>	<u>22,772,041</u>	<u>14,069,850</u>	<u>12,570,622</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
IMPACT AID GRANT	84.041	FY 10	\$ 327,438
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	76,344
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	347,088 *
			<u>423,432</u>
CHILD NUTRITION DISCRETIONARY GRANTS, RECOVERY ACT	10.579	FY 10	<u>14,256</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 10	17,500
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1503-G	283,112
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	110,024
			<u>410,636</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES STATE GRANTS	84.186	FY 10	<u>5,987</u>
PARENTAL ASSISTANCE CENTERS	84.310	FY 09	<u>92</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 10	<u>75,980</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 10	<u>9,867</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>698,303</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANTS)	84.215	FY 10	<u>18,057</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 10	85,998
SPECIAL EDUCATION - PRESCHOOL GRANT	84.173	FY 10	2,979
SPECIAL EDUCATION - GRANTS TO STATES(PART B, RECOVERY ACT)	84.391	FY 09	47,030
SPECIAL EDUCATION - GRANTS TO STATES(PART B, RECOVERY ACT)	84.391	FY 10	101,534
			<u>237,541</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>16,837</u>
ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	FY 10	<u>3,083</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	FY 10	<u>74,799</u>
TOTAL			<u>\$ 2,316,308</u>

* -Includes \$48,599 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Tama County Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 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 Tama County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of South Tama County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Tama County Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned costs as item II-B-10 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Tama County 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 Tama County Community School District's responses and, accordingly, we express no opinion on them.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2011

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

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 - State Fiscal Stabilization Fund - Grants to States, Recovery Act
 - CFDA Number 84.041 - Impact Aid
 - Clustered Programs:
 - Nutrition Cluster
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Special Education Cluster
 - CFDA Number 84.010 - Title I (SINA - Schools in Need of Assistance)
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies,
Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) South Tama County Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

Response - Effective 7/1/10, vouchers are no longer processed by the same individual who records disbursements, and a third individual prints checks. The District will continue to review procedures and practices in place, and make adjustments where possible.

Conclusion - Response accepted.

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

Response - The District implemented such procedures mid-year FY10; no support staff are coaching during FY11.

Conclusion - Response accepted.

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

CFDA Number 84.010: Title I (SINA - Schools in Need of Assistance)
CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.389: Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.041: Impact Aid Grant
Federal Award Year: 2010
U.S. Department of Education

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

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

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

Response - Effective 7/1/10, vouchers are no longer processed by the same individual who records disbursements, and a third individual prints checks. The District will continue to review procedures and practices in place, and make adjustments where possible.

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, exceed the amount budgeted in the support services and other expenditures functional areas. The District also exceeded the total certified budget.

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

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-10 Questionable Disbursements - We noted during our audit that the District purchased coaches shirts for the cross country coaches from the Student Activity Fund. Clothing for coaches 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 - Director of Finance & Operations now personally addresses all staff involved with the Student Activity Fund annually, detailing procedures outlined in the Activities Fund Procedures Manual which is given to all coaches and sponsors.

Conclusion - Response accepted.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions - No business transactions between the District and District officials were noted.

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

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

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

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

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

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

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

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	259,598
Statewide sales, services and use tax revenue			992,760
Expenditures/Transfers out:			
School infrastructure:			
Equipment	\$	64,097	
Other improvements		200,367	
Debt service for school infrastructure:			
General obligation debt		<u>738,740</u>	<u>1,003,204</u>
Ending balance			<u>\$ 249,154</u>

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

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 2.51588	\$ 738,740
Physical Plant and Equipment Levy	<u>0.86510</u>	<u>254,020</u>

IV-M-10 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

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

Response - The practice is stated in South Tama County AR402.42 All Staff – Payroll Distribution, but the District will implement procedures to obtain said written authorization.

Conclusion - Response accepted.

IV-N-10 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. We noted the District does not obtain the image of the back of each cancelled check in the Student Activity Fund as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - Effective November, 2010, all bank statements now show the back side of all cancelled checks.

Conclusion - Response accepted.

IV-O-10 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation 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 Treasurer of Iowa as unclaimed property.

Response - The District has attempted to contact all holders of outstanding checks; checks have been voided and/or reissued.

Conclusion - Response accepted.

IV-P-10 Financial Condition - At June 30, 2010, the General Fund had a deficit unreserved undesignated fund balance of \$419,043 and a deficit fund balance of \$181,538. The District also had a deficit unrestricted net assets balance in the governmental activities of \$1,606,753.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits balances.

Response - The District is closely monitoring balances and making adjustments to rectify the situation, such as decreasing expenditures through staff reductions and increasing revenues through cash reserve levy.

Conclusion - Response accepted.