

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Schedule of Revenues, Expenditures and Changes in Balances	2	49
Capital Project Accounts		
Combining Balance Sheet	3	50
Combining Schedule of Revenues, Expenditures and Changes in Balances	4	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	52
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	53
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 <u>Government Auditing Standards</u>		54-55
Schedule of Findings		56-62

South Page Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	Board of Education	
Ron Peterman	President	2011
Larry Murphy	Vice President	2011
Kenny Jackson	Board Member	2013
Darin McClarnon	Board Member	2013
Karl Kenagy	Board Member	2011
	School Officials	
Gregg Cruickshank	Superintendent	2011
Jamie Lindsay	District Secretary	2011
Ahlers & Cooney, P.C.	Attorney	2011

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the South Page Community School District, College Springs, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Page Community School District at June 30, 2011, 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 27, 2012 on our consideration of South Page Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Page Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Page Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,386,098 in fiscal 2010 to \$2,743,962 in fiscal 2011, while General Fund expenditures decreased from \$2,747,204 in fiscal 2010 to \$2,507,610 in fiscal 2011. This resulted in an increase in the District's General Fund balance from a deficit \$295,963 in fiscal 2010 to a deficit \$59,611 in fiscal 2011, a 79.86% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2011. The decrease in expenditures was due primarily to decreases in the support services functional areas.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

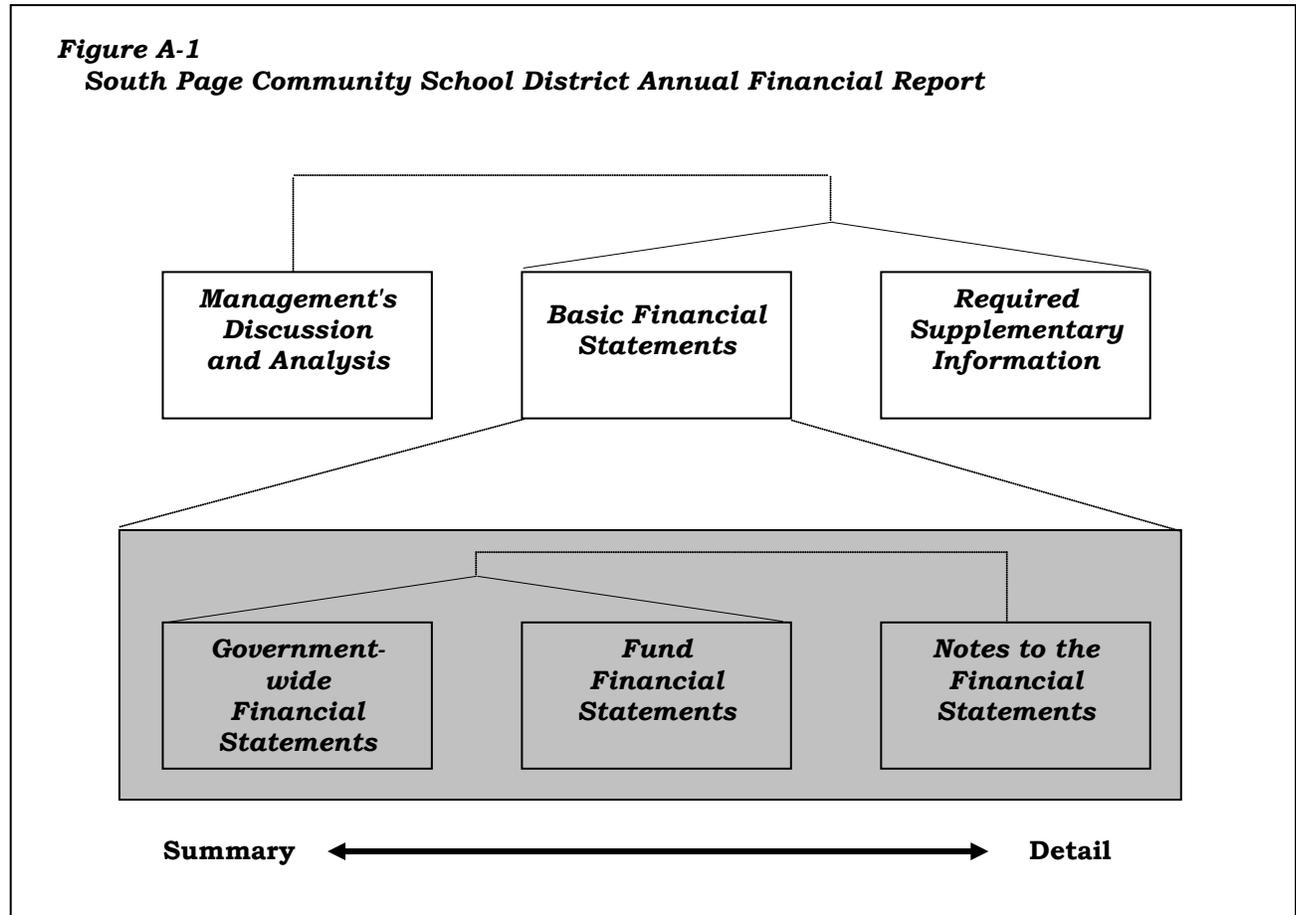


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s total net assets at June 30, 2011 compared to June 30, 2010.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 2,077,122	1,603,075	3,724	9,597	2,080,846	1,612,672	29.03%
Capital assets	1,411,848	1,537,408	9,941	6,286	1,421,789	1,543,694	-7.90%
Total assets	3,488,970	3,140,483	13,665	15,883	3,502,635	3,156,366	10.97%
Long-term obligations	168,956	202,702	-	-	168,956	202,702	-16.65%
Other liabilities	1,642,338	1,471,000	7,667	22,340	1,650,005	1,493,340	10.49%
Total liabilities	1,811,294	1,673,702	7,667	22,340	1,818,961	1,696,042	7.25%
Net assets:							
Invested in capital assets, net of related debt	1,294,046	1,360,706	9,941	6,286	1,303,987	1,366,992	-4.61%
Restricted	526,496	432,328	-	-	526,496	432,328	21.78%
Unrestricted	(142,866)	(326,253)	(3,943)	(12,743)	(146,809)	(338,996)	56.69%
Total net assets	\$ 1,677,676	1,466,781	5,998	(6,457)	1,683,674	1,460,324	15.29%

The District’s combined net assets increased by 15.29%, or \$223,350, from the prior year. The largest portion of the District’s net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased \$94,168, or 21.78% over the prior year. The increase in restricted net assets is primarily the result of the increase in the Capital Project: Statewide Sales, Services and Use Tax Fund balance.

Unrestricted net assets - are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$192,187, or 56.69%. The increase in unrestricted net assets is primarily the result of the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

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,	June 30,	June 30,	June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 179,780	156,781	26,173	29,289	205,953	186,070	10.69%
Operating grants and contributions and restricted interest	333,369	641,496	57,608	62,231	390,977	703,727	-44.44%
General revenues:							
Property tax	1,084,148	1,024,081	-	-	1,084,148	1,024,081	5.87%
Income surtax	110,663	40,076	-	-	110,663	40,076	176.13%
Statewide sales, services and use tax	156,996	130,146	-	-	156,996	130,146	20.63%
Unrestricted state grants	1,134,148	742,645	-	-	1,134,148	742,645	52.72%
Nonspecific program federal grants	78,519	-	-	-	78,519	-	100.00%
Unrestricted investment earnings	857	14,125	-	-	857	14,125	-93.93%
Other	20,622	10,845	451	436	21,073	11,281	86.80%
Transfers	(4,908)	-	4,908	-	-	-	0.00%
Total revenues & transfers	3,094,194	2,760,195	89,140	91,956	3,183,334	2,852,151	11.61%
Program expenses:							
Governmental activities:							
Instructional	1,913,475	1,758,706	-	-	1,913,475	1,758,706	8.80%
Support services	799,550	861,903	190	1,926	799,740	863,829	-7.42%
Non-instructional programs	-	-	76,495	80,876	76,495	80,876	-5.42%
Other expenses	170,274	454,726	-	-	170,274	454,726	-62.55%
Total expenses	2,883,299	3,075,335	76,685	82,802	2,959,984	3,158,137	-6.27%
Change in net assets	210,895	(315,140)	12,455	9,154	223,350	(305,986)	172.99%
Net assets beginning of year	1,466,781	1,781,921	(6,457)	(15,611)	1,460,324	1,766,310	-17.32%
Net assets end of year	\$ 1,677,676	1,466,781	5,998	(6,457)	1,683,674	1,460,324	15.29%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax, unrestricted state grants and nonspecific program federal grants account for 82.88% of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 93.99% of the revenues from the business type activities.

The District's total revenues were approximately \$3.18 million of which approximately \$3.09 million was for governmental activities and approximately \$0.09 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 11.61% in revenues and a 6.27% decrease in expenses. The decrease in expenses was related a decrease in the support services and other expenses functional areas during the year.

Governmental Activities

Revenues for governmental activities were \$3,094,194 and expenses were \$2,883,299.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2011 as compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	June 30,		Change	June 30,		Change
	2011	2010	2010-11	2011	2010	2010-11
Instruction	\$ 1,913,475	1,758,706	8.80%	1,528,450	1,068,633	43.03%
Support services	799,550	861,903	-7.23%	776,999	857,556	-9.39%
Other expenses	170,274	454,726	-62.55%	64,701	350,819	-81.56%
Totals	\$ 2,883,299	3,075,335	-6.24%	2,370,150	2,277,008	4.09%

For the year ended June 30, 2011

- The cost financed by users of the District's programs was \$179,780.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$333,369.
- The net cost of governmental activities was financed with \$1,084,148 in property tax, \$110,663 in income surtax, \$156,996 in statewide sales, services and use tax, \$1,134,148 in unrestricted state grants, \$78,519 in nonspecific program federal grants, \$857 in unrestricted investment earnings and \$15,714 in other general revenues net of transfers.

Business type Activities

Revenues of the District's business type activities were \$89,140 and expenses were \$76,685. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$322,823, above last year's ending fund balances of a \$91,731. The primary reason for the increase in combined fund balances in fiscal 2011 is due to the increase in the fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund balance increased from a deficit \$295,963 on June 30, 2010 to a deficit \$59,611 on June 30, 2011. The fluctuation in the District's General Fund financial position is the product of many factors. Increase in local and state revenue led to an increase in revenues. The decrease in expenditures was due to the reductions of the expenditures in the support services functional area.
- The Capital Projects Accounts now includes the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund due to the reclassification by GASB 54. The Capital Projects accounts balance overall decreased from \$217,595 in fiscal 2010 to \$208,535 in fiscal 2011.

Proprietary Fund Highlights

The Proprietary Funds net assets increased from a deficit balance of \$6,457 at June 30, 2010 to a balance of \$5,998 at June 30, 2011, representing an increase of 192.89%. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

BUDGETARY HIGHLIGHTS

The District's revenues were \$36,858 less than budgeted revenues, a variance of 1.17%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$1,421,789, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 7.90% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$153,027.

The original cost of the District's capital assets was \$4,398,083. Governmental funds account for \$4,315,593 with the remainder of \$82,490 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment decreased from \$305,441 at June 30, 2010, to \$223,023 at June 30, 2011, as a result of depreciation expense taken during the year.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 52,000	52,000	-	-	52,000	52,000	0.00%
Buildings	1,011,012	1,030,375	-	-	1,011,012	1,030,375	-1.88%
Land improvements	136,754	155,878	-	-	136,754	155,878	-12.27%
Machinery and equipment	212,082	299,155	9,941	6,286	222,023	305,441	-27.31%
Total	\$ 1,411,848	1,537,408	9,941	6,286	1,421,789	1,543,694	-7.90%

Long-Term Debt

At June 30, 2011, the District had \$168,956 in long-term indebtedness outstanding. This represents a decrease of 16.65% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had \$117,802 on a computer lease at June 30, 2011.

The District had net OPEB liability payable of \$51,154 at June 30, 2011.

	Total School District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
Computer lease	\$ 117,802	176,702	-33.33%
Net OPEB liability	51,154	26,000	96.75%
Total	\$ 168,956	202,702	-16.65%

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:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- On July 1, 2011, the IPERS increase to 8.07% will increase the South Page Community Schools employer benefits costs during fiscal 2012. An additional increase to 8.67% is anticipated for fiscal year 2013.

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 Sherri Ruzek, Business Manager, South Page Community School District's District Office, Box 98, College Springs, Iowa, 51637.

BASIC FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 535,940	-	535,940
Receivables:			
Property tax:			
Delinquent	19,541	-	19,541
Succeeding year	1,285,235	-	1,285,235
Income surtax	111,961	-	111,961
Accounts	2,015	23	2,038
Due from other governments	122,430	-	122,430
Inventories	-	3,701	3,701
Capital assets, net of accumulated depreciation	1,411,848	9,941	1,421,789
Total assets	3,488,970	13,665	3,502,635
Liabilities			
Excess of warrants issued over bank balance	-	4,039	4,039
Accounts payable	156,097	-	156,097
Salaries and benefits payable	201,006	2,793	203,799
Deferred revenue:			
Succeeding year property tax	1,285,235	-	1,285,235
Unearned revenue	-	835	835
Long-term liabilities:			
Portion due within one year:			
Computer lease payable	58,901	-	58,901
Portion due after one year:			
Computer lease payable	58,901	-	58,901
Net OPEB liability	51,154	-	51,154
Total liabilities	1,811,294	7,667	1,818,961
Net assets			
Invested in capital assets, net of related debt	1,294,046	9,941	1,303,987
Restricted for:			
Categorical funding	137,872	-	137,872
Management levy	136,079	-	136,079
Student activities	44,010	-	44,010
School infrastructure	199,087	-	199,087
Physical plant and equipment	9,448	-	9,448
Unrestricted	(142,866)	(3,943)	(146,809)
Total net assets	\$ 1,677,676	5,998	1,683,674

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Govern- mental Activities	Business Type Activities	Total
		for Services	and Restricted Interest			
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,126,246	88,460	89,940	(947,846)	-	(947,846)
Special	498,318	-	52,791	(445,527)	-	(445,527)
Other	288,911	91,320	62,514	(135,077)	-	(135,077)
	<u>1,913,475</u>	<u>179,780</u>	<u>205,245</u>	<u>(1,528,450)</u>	<u>-</u>	<u>(1,528,450)</u>
Support services:						
Student	40,407	-	20,305	(20,102)	-	(20,102)
Instructional staff	27,898	-	-	(27,898)	-	(27,898)
Administration	281,312	-	-	(281,312)	-	(281,312)
Operation and maintenance of plant	310,504	-	-	(310,504)	-	(310,504)
Transportation	139,429	-	2,246	(137,183)	-	(137,183)
	<u>799,550</u>	<u>-</u>	<u>22,551</u>	<u>(776,999)</u>	<u>-</u>	<u>(776,999)</u>
Other expenses:						
AEA flowthrough	105,573	-	105,573	-	-	-
Depreciation(unallocated)*	64,701	-	-	(64,701)	-	(64,701)
	<u>170,274</u>	<u>-</u>	<u>105,573</u>	<u>(64,701)</u>	<u>-</u>	<u>(64,701)</u>
Total governmental activities	2,883,299	179,780	333,369	(2,370,150)	-	(2,370,150)
Business type activities:						
Support services:						
Operation and maintenance of plant	190	-	-	-	(190)	(190)
Non-instructional programs:						
Nutrition services	76,495	26,173	57,608	-	7,286	7,286
Total business type activities	<u>76,685</u>	<u>26,173</u>	<u>57,608</u>	<u>-</u>	<u>7,096</u>	<u>7,096</u>
Total	\$ 2,959,984	205,953	390,977	(2,370,150)	7,096	(2,363,054)
General Revenues & Transfers:						
Property tax for:						
General purposes				\$ 1,084,148	-	1,084,148
Income surtax				110,663	-	110,663
Statewide sales, service and use tax				156,996	-	156,996
Unrestricted state grants				1,134,148	-	1,134,148
Nonspecific program federal grants				78,519	-	78,519
Unrestricted investment earnings				857	-	857
Other				20,622	451	21,073
Transfers				(4,908)	4,908	-
Total general revenues & transfers				<u>2,581,045</u>	<u>5,359</u>	<u>2,586,404</u>
Changes in net assets				210,895	12,455	223,350
Net assets beginning of year				<u>1,466,781</u>	<u>(6,457)</u>	<u>1,460,324</u>
Net assets end of year				<u>\$ 1,677,676</u>	<u>5,998</u>	<u>1,683,674</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 192,900	167,147	175,893	535,940
Receivables:				
Property tax:				
Delinquent	19,001	-	540	19,541
Succeeding year	1,265,235	20,000	-	1,285,235
Income surtax	111,961	-	-	111,961
Accounts	2,015	-	-	2,015
Due from other governments	79,728	42,702	-	122,430
Total assets	\$ 1,670,840	229,849	176,433	2,077,122
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 152,249	1,314	2,534	156,097
Salaries and benefits payable	201,006	-	-	201,006
Deferred revenue:				
Succeeding year property tax	1,265,235	20,000	-	1,285,235
Income surtax	111,961	-	-	111,961
Total liabilities	1,730,451	21,314	2,534	1,754,299
Fund balances:				
Reserved for:				
Categorical funding	137,872	-	-	137,872
Management levy purposes	-	-	136,079	136,079
Student activities	-	-	44,010	44,010
School infrastructure	-	199,087	-	199,087
Physical plant and equipment	-	9,448	-	9,448
Unassigned:				
General	(197,483)	-	-	(197,483)
Student activities	-	-	(6,190)	(6,190)
Total fund balances	(59,611)	208,535	173,899	322,823
Total Liabilities and fund balances	\$ 1,670,840	229,849	176,433	2,077,122

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)		\$ 322,823
 <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.		1,411,848
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		111,961
Long-term liabilities, including computer lease payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(168,956)</u>
Net assets of governmental activities(page 18)		<u><u>\$ 1,677,676</u></u>

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,095,020	156,996	28,174	1,280,190
Tuition	84,420	-	-	84,420
Other	18,689	490	98,063	117,242
State sources	1,293,489	-	-	1,293,489
Federal sources	252,144	-	-	252,144
Total revenues	2,743,762	157,486	126,237	3,027,485
Expenditures:				
Current:				
Instruction:				
Regular	1,047,944	6,197	-	1,054,141
Special	494,007	-	-	494,007
Other	201,708	-	85,374	287,082
	1,743,659	6,197	85,374	1,835,230
Support services:				
Student	39,647	-	-	39,647
Instructional staff	25,787	-	-	25,787
Administration	277,594	-	-	277,594
Operation and maintenance of plant	198,295	-	37,063	235,358
Transportation	117,055	-	-	117,055
	658,378	-	37,063	695,441
Other expenditures:				
Facilities acquisitions	-	101,449	-	101,449
Long-term debt:				
Principal	-	-	58,900	58,900
AEA flowthrough	105,573	-	-	105,573
	105,573	101,449	58,900	265,922
Total expenditures	2,507,610	107,646	181,337	2,796,593
Excess(Deficiency) of revenues over(under) expenditures	236,152	49,840	(55,100)	230,892
Other financing sources(uses):				
Transfers in	-	-	58,900	58,900
Transfers out	-	(58,900)	-	(58,900)
Sale of equipment	200	-	-	200
Total other financing sources(uses)	200	(58,900)	58,900	200
Net change in fund balances	236,352	(9,060)	3,800	231,092
Fund balance beginning of year, as restated	(295,963)	217,595	170,099	91,731
Fund balance end of year	\$ (59,611)	208,535	173,899	322,823

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 231,092

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are allocated over their estimated useful lives as depreciation expense in the Statement of Activities.

The amount of capital outlays, depreciation expense and loss on disposal of assets in the year are as follows:

Capital outlays	\$ 26,214	
Depreciation expense	<u>(151,774)</u>	(125,560)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	58,900
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	71,617
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Other postemployment benefits	<u>(25,154)</u>
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Changes in net assets of governmental activities(page 19) \$ 210,895

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>School</u> <u>Nutrition</u>
Assets	
Accounts receivable	\$ 23
Inventories	3,701
Capital assets, net of accumulated depreciation	<u>9,941</u>
Total assets	<u>13,665</u>
Liabilities	
Excess of warrants issued over bank balance	4,039
Salaries and benefits payable	2,793
Unearned revenue	<u>835</u>
Total liabilities	<u>7,667</u>
Net assets	
Invested in capital assets	9,941
Unrestricted	<u>(3,943)</u>
Total net assets	<u>\$ 5,998</u>

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 26,173
Miscellaneous	451
Total operating revenues	26,624
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	190
Non-instructional programs:	
Food service operations:	
Salaries	27,860
Benefits	3,854
Services	91
Supplies	43,437
Depreciation	1,253
Total food service operations	76,495
Total operating expenses	76,685
Operating loss	(50,061)
Non-operating revenues	
State sources	759
Federal sources	56,849
Total non-operating revenues	57,608
Changed in net assets before other financing sources:	7,547
Other financing sources:	
Capital contributions	4,908
Change in net assets	12,455
Net assets beginning of year	(6,457)
Net assets end of year	\$ 5,998

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 26,238
Cash received from miscellaneous	451
Cash payments to employees for services	(28,921)
Cash payments to suppliers for goods or services	(36,743)
Net cash used in operating activities	(38,975)
Cash flows from non-capital financing activities:	
State grants received	759
Federal grants received	55,615
Net cash provided by non-capital financing activities	56,374
Net increase in cash and cash equivalents	17,399
Cash and cash equivalents at beginning of year	(21,438)
Cash and cash equivalents at end of year	\$ (4,039)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (50,061)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	6,975
Depreciation	1,253
Decrease in accounts receivable	132
Increase in salaries and benefits payable	2,793
Decrease in unearned revenue	(67)
Net cash used in operating activities	\$ (38,975)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$6,975.

During the year ended June 30, 2011, the Nutrition Fund received contributed contributed capital of \$4,908 from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 3,215
Liabilities	-
Net assets	
Restricted for scholarships	2,028
Unrestricted	1,187
Total net assets	<u>\$ 3,215</u>

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 3
Contributions	1,500
Total additions	1,503
 Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,550
 Change in net assets	 (47)
 Net assets beginning of year	 3,262
 Net assets end of year	 \$ 3,215

SEE NOTES TO FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following non-major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

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

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

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

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

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

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

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

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

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

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

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

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, District expenditures in the other expenditures function exceeded the budgeted amount.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution

collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$429,349 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 58,900</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax to Debt Service was needed to make the annual computer lease payment.

(4) Iowa School Cash Anticipation Program (ISCAP)

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

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.20% plus the one-month LIBOR rate, adjusted daily. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2010-11A	6/30/10	6/23/11	\$ -	450,000	450,000	-

During the year ended June 30, 2011, the District paid \$4,264 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,000	-	-	52,000
Total capital assets not being depreciated	52,000	-	-	52,000
Capital assets being depreciated:				
Buildings	2,491,848	26,214	-	2,518,062
Land improvements	382,477	-	-	382,477
Machinery and equipment	1,363,054	-	-	1,363,054
Total capital assets being depreciated	4,237,379	26,214	-	4,263,593
Less accumulated depreciation for:				
Buildings	1,461,473	45,577	-	1,507,050
Land improvements	226,599	19,124	-	245,723
Machinery and equipment	1,063,899	87,073	-	1,150,972
Total accumulated depreciation	2,751,971	151,774	-	2,903,745
Total capital assets being depreciated, net	1,485,408	(125,560)	-	1,359,848
Governmental activities capital assets, net	\$ 1,537,408	(125,560)	-	1,411,848
Business type activities:				
Machinery and equipment	\$ 77,582	4,908	-	82,490
Less accumulated depreciation	71,296	1,253	-	72,549
Business type activities capital assets, net	\$ 6,286	3,655	-	9,941

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 60,318
Support services:	
Instructional staff	1,842
Operation and maintenance of plant	2,539
Transportation	22,374
Unallocated depreciation	<u>64,701</u>
Total governmental activities depreciation expense	<u>\$ 151,774</u>
Business type activities:	
Food service	<u>\$ 1,253</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Computer lease	\$ 176,702	-	58,900	117,802	58,901
Net OPEB liability	26,000	25,154	-	51,154	-
Total	<u>\$ 202,702</u>	<u>25,154</u>	<u>58,900</u>	<u>168,956</u>	<u>58,901</u>

Computer Lease Payable

On December 18, 2009, the District entered into a lease purchase agreement with Apple for new computers. The lease is scheduled to be repaid as follows from the Capital Projects: Statewide Sales, Service and Use Tax Fund:

Year Ending June 30,	Lease of December 18, 2009		
	Principal	Interest	Total
2012	\$ 58,901	*	58,901
2013	58,901	*	58,901
Total	<u>\$ 117,802</u>	<u>*</u>	<u>117,802</u>

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

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$83,904, \$75,198, and \$94,431, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 30 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 43,000
Interest on net OPEB obligation	1,170
Adjustment to annual required contribution	(1,016)
Annual OPEB cost	<u>43,154</u>
Contributions made	<u>(18,000)</u>
Increase in net OPEB obligation	25,154
Net OPEB obligation beginning of year	<u>26,000</u>
Net OPEB obligation end of year	<u><u>\$ 51,154</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 43,000	39.53%	\$ 26,000
2011	43,154	41.71%	51,154

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$256,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$256,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,270,361, and the ratio of the UAAL to covered payroll was 20.15%. As of June 30, 2011 there were no trust fund assets.

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

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

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

As of July 1, 2009 actuarial valuation date, the Alternative Measurement Method, a simplified version of the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

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

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

BCBS 500	BCBS 1500
\$ 1,109.80	942.30

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

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$105,573 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Net Assets

At June 30, 2011, the General Fund had a deficit unassigned fund balance of \$197,483 and a total deficit fund balance of \$59,611. The Enterprise, Nutrition Fund had a deficit unrestricted net assets of \$3,943 at June 30, 2011. The Activity Fund had twelve accounts with a deficit unassigned balance totaling \$6,190. The District also had deficit unrestricted net assets in the Governmental Activities of \$142,866.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amounts budgeted.

(13) Categorical Funding

The District's ending restricted balances for categorical funding at June 30, 2011 are comprised of the following projects:

Projects	Amount
Dropout and dropout prevention	\$ 67,802
Teacher salary supplement	27,089
Statewide voluntary preschool	12,457
Professional development	18,776
Empowerment	9,730
Market factor	2,018
Total	\$ 137,872

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 189,402	28,193
Change in fund type classification per implementation of GASB Statement No. 54	28,193	(28,193)
Balances July 1, 2010, as restated	\$ 217,595	-

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 1,481,852	26,624	1,508,476	1,560,334	1,560,334	(51,858)
State sources	1,293,489	759	1,294,248	1,372,241	1,372,241	(77,993)
Federal sources	252,144	56,849	308,993	216,000	216,000	92,993
Total revenues	3,027,485	84,232	3,111,717	3,148,575	3,148,575	(36,858)
Expenditures/Expenses:						
Instruction	1,835,230	0	1,835,230	1,902,000	1,902,000	66,770
Support services	695,441	190	695,631	798,500	798,500	102,869
Non-instructional programs	0	76,495	76,495	89,000	89,000	12,505
Other expenditures	265,922	0	265,922	171,905	171,905	(94,017)
Total expenditures/expenses	2,796,593	76,685	2,873,278	2,961,405	2,961,405	88,127
Excess of revenues over expenditures	230,892	7,547	238,439	187,170	187,170	51,269
Other financing sources, net	200	4,908	5,108	36,000	36,000	(30,892)
Excess of revenues over expenditures/expenses	231,092	12,455	243,547	223,170	223,170	20,377
Balance beginning of year	91,731	(6,457)	85,274	351,770	351,770	(266,496)
Balance end of year	\$ 322,823	5,998	328,821	574,940	574,940	(246,119)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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, 2011, District expenditures in the other expenditures function exceeded the amount budgeted.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

Year Ended June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	\$ -	\$ 256,000	\$ 256,000	0.00%	\$ 865,640	29.57%
2011	-	256,000	256,000	0.00%	1,270,361	20.15%

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

OTHER SUPPLEMENTARY INFORMATION

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 135,539	40,354	175,893
Receivables:			
Property tax:			
Delinquent	540	-	540
Total Assets	\$ 136,079	40,354	176,433
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	-	2,534	2,534
Fund balances:			
Restricted for:			
Management levy purposes	136,079	-	136,079
Student activities	-	44,010	44,010
Unassigned	-	(6,190)	(6,190)
Total fund balances	136,079	37,820	173,899
Liabilities and Fund Balances	\$ 136,079	40,354	176,433

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total Special Revenue		
Revenues:					
Local sources:					
Local tax	\$ 28,174	-	28,174	-	28,174
Other	4,579	93,484	98,063	-	98,063
Total revenues	32,753	93,484	126,237	-	126,237
Expenditures:					
Current:					
Instruction:					
Other	-	85,374	85,374	-	85,374
Support services:					
Operation and maintenance of plant	37,063	-	37,063	-	37,063
Other expenditures:					
Long-term debt:					
Principal	-	-	-	58,900	58,900
Total expenditures	37,063	85,374	122,437	58,900	181,337
Excess(Deficiency) of revenues over(under) expenditures	(4,310)	8,110	3,800	(58,900)	(55,100)
Other financing sources:					
Transfer in	-	-	-	58,900	58,900
Net change in fund balances	(4,310)	8,110	3,800	-	3,800
Fund balance beginning of year, as restated	140,389	29,710	170,099	-	170,099
Fund balance end of year	\$ 136,079	37,820	173,899	-	173,899

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 157,175	9,972	167,147
Receivables:			
Property tax:			
Succeeding year	-	20,000	20,000
Due from other governments	42,702	-	42,702
Total Assets	\$ 199,877	29,972	229,849
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 790	524	1,314
Deferred revenue:			
Succeeding year property tax	-	20,000	20,000
Total liabilities	790	20,524	21,314
Fund balances:			
Restricted for:			
School infrastructure	199,087	-	199,087
Physical plant and equipment	-	9,448	9,448
Total fund balances	199,087	9,448	208,535
Liabilities and Fund Balances	\$ 199,877	29,972	229,849

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 156,996	-	156,996
Other	471	19	490
Total revenues	157,467	19	157,486
Expenditures:			
Current:			
Instruction:			
Regular	6,197	-	6,197
Other expenditures:			
Facilities acquisitions	82,685	18,764	101,449
Total expenditures	88,882	18,764	107,646
Excess(Deficiency) of revenues over(under) expenditures	68,585	(18,745)	49,840
Other financing uses:			
Transfer out	(58,900)	-	(58,900)
Net change in fund balances	9,685	(18,745)	(9,060)
Fund balance beginning of year, as restated	189,402	28,193	217,595
Fund balance end of year	\$ 199,087	9,448	208,535

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,576	277	819	1,034
Vocal	104	-	99	5
Instrumental	(556)	-	-	(556)
Football	(381)	-	26	(407)
Girls Basketball	-	1,699	1,916	(217)
HS Track	-	311	346	(35)
Baseball	(125)	-	-	(125)
Athletics	1,864	13,954	14,267	1,551
Weightlifting Club	647	775	-	1,422
Girls Softball Club	318	-	-	318
Elementary Carnival	2,952	9,874	7,337	5,489
Class of 2007	(18)	-	-	(18)
Class of 2010	1,887	-	1,887	-
Class of 2011	407	1,887	2,754	(460)
Class of 2012	582	3,591	3,250	923
Class of 2013	302	280	14	568
Class of 2014	100	121	-	221
Class of 2015	40	-	-	40
Class of 2016	90	-	-	90
Class of 2017	50	55	-	105
Yearbook	(2,490)	3,726	1,459	(223)
Corner Conference	1,632	500	500	1,632
National Honor Society	1,637	86	501	1,222
Concession Stand	(1,488)	11,339	7,025	2,826
Cheerleaders	265	725	537	453
Drill Team	627	7,841	6,610	1,858
Student Council	257	541	485	313
FCCLA	185	-	-	185
BPA	1,104	7,320	11,861	(3,437)
FFA	5,031	12,778	7,998	9,811
MS Student Council	(1,374)	2,929	147	1,408
Spanish Club	329	-	-	329
Trips and Activities	(327)	100	-	(227)
Library	1,791	1,976	1,383	2,384
Washington DC Trip Fund	-	3,532	3,532	-
Booster Club	11,408	7,135	10,386	8,157
Gate Change	(215)	-	175	(390)
Activity interest	1,594	132	60	1,666
Pop Machine	(95)	-	-	(95)
Total	\$ 29,710	93,484	85,374	37,820

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,280,190	1,191,552	1,214,460	1,073,491	1,122,128	1,053,799	1,167,875	1,159,197
Tuition	84,420	61,577	57,010	56,415	66,354	65,691	65,477	51,912
Other	117,242	124,293	150,121	124,501	164,487	171,058	139,346	166,910
Intermediate sources	-	-	-	-	85,000	3,797	-	-
State sources	1,293,489	1,024,714	1,269,665	1,348,724	1,198,545	1,191,256	1,253,081	1,302,959
Federal sources	252,144	355,308	147,298	146,570	183,652	137,597	129,141	489,953
Total	\$ 3,027,485	2,757,444	2,838,554	2,749,701	2,820,166	2,623,198	2,754,920	3,170,931
Expenditures:								
Current:								
Instruction:								
Regular	\$ 1,054,141	1,119,005	1,121,478	1,201,674	1,067,806	1,092,910	1,047,608	1,015,036
Special	494,007	497,362	359,356	390,752	475,750	358,508	319,517	325,089
Other	287,082	304,895	285,572	247,985	190,477	322,403	330,026	282,762
Support services:								
Student	39,647	77,316	44,213	16,800	7,716	3,615	4,178	21,669
Instructional staff	25,787	32,743	39,499	89,522	136,776	69,140	52,201	21,005
Administration	277,594	315,668	331,525	306,779	410,434	334,274	318,601	348,487
Operation and maintenance of plant	235,358	275,301	286,422	270,375	267,555	244,677	257,790	213,837
Transportation	117,055	195,407	125,611	114,221	138,947	111,292	156,367	84,470
Other expenditures:								
Facilities acquisitions	101,449	285,792	64,835	91,740	76,661	165,545	161,259	534,691
Long-term debt:								
Principal	58,900	150,019	40,000	35,000	35,000	35,000	30,000	30,000
Interest	-	1,175	4,400	5,660	6,719	7,579	9,393	10,598
AEA flow-through	105,573	103,857	97,571	94,850	91,837	90,274	92,612	94,165
Total	\$ 2,796,593	3,358,540	2,800,482	2,865,358	2,905,678	2,835,217	2,779,552	2,981,809

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Page Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 27, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Finding as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Finding as items I-B-11 and I-C-11 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

I-B-11 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

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

Response - The Superintendent will do a better job of coding expenditures to categorical grants.

Conclusion - Response accepted.

I-C-11 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 compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff, and determine that the wage paid is in compliance with the minimum wage requirements as well as any overtime issues.

Response - Non-certified Staff Coaches will maintain time sheets to track their time.

Conclusion - Response accepted.

OTHER MATTERS:

I-D-11 Board Policies - We noted during our audit the District has not updated their board policies as required by Department of Education. The policies are to be reviewed and updated every 5 years. It was also, noted that the District has not developed and implemented a cell phone policy.

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

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

Conclusion - Response accepted.

I-E-11 Student Activity Fund Interest - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated to individual accounts in the Student Activity Fund for several years.

Recommendation - Interest earned each year should be allocated out on an annual basis to the individual activity accounts. The interest should be recognized by various clubs that earned the interest.

Response - Interest will be distributed to the accounts on an annual basis.

Conclusion - Response accepted.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011 exceeded the amount budgeted in the other expenditures function.

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

Response - The budget will be monitored closer for over expenditures and a budget amendment will be made if needed.

Conclusion - Response accepted.

- II-B-11 Questionable Disbursements - We noted during our audit that the District wrote a check to a student as a sales incentive for being the top seller for a fundraiser. Writing checks to students as incentive prizes does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - Money will not be given to students for top fundraisers. The policy has been reviewed and revised.

Conclusion - Response accepted.

Meal Money for Museum Trip - We noted disbursements from the Student Activity Fund for student meals during the museum trip. The sponsor cashed the check but we were unable to determine if the money was given to the students for meals. The sponsor did not provide any receipts or return any unused monies back to the District.

Recommendation - Better internal controls would be for the District to maintain a sign-off sheet showing which students received meal money as well as the amount given. If the sponsor is paying for all the meals, the District should require that meal receipts and any unused funds be returned to the Central Office after the event.

Response - A meal allowance policy was put in place. The students will sign off on a sheet showing the money was received.

Conclusion - Response accepted.

- II-C-11 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.

We noted during our audit that employees were not always turning in detailed receipts of purchases made to the District's central office. District policy 401.7 states that failure to have detailed receipts of purchases made with District credit cards becomes a personal expense of the employee who made the purchase.

Recommendation - The District should review its procedures in place to ensure that all employees turn in detailed receipts.

Response - The reimbursement policy will be given to each employee as a reminder that supporting documentation is needed for reimbursement. If the documentation is not provided, the reimbursement will not be made.

Conclusion - Response accepted.

II-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Karl Kenagy, Board Member Owns Karl's Automotive Service	Services	\$936
Denise Hoskins, Teacher	Catering for District	\$100

In accordance with the Chapter 279.7A of the Code of Iowa, the above transaction with the board member does not appear to represent a conflict of interest.

In accordance with the Attorney General's Opinion dated July 2, 1990, the above transaction with the does not appear to represent a conflict of interest.

- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - We noted transactions requiring Board approval have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 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.
- II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-11 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	189,402
Revenues:			
Sales tax revenues	\$	156,996	
Other local revenues		471	157,467
			<hr/>
			346,869
Expenditures/transfers out:			
School infrastructure construction	\$	26,804	
Equipment		48,610	
Other		13,468	
Transfers to other funds:			
Debt service fund		58,900	147,782
			<hr/>
Ending Balance		\$	<u>199,087</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-11 Financial Condition - We noted during our audit that the Student Activity Fund included twelve accounts with negative balances totaling \$6,190. We also noted that the Proprietary Fund, School Nutrition Fund had deficit unrestricted net assets of \$3,943 at June 30, 2011. We noted during our audit that the District had a deficit unassigned fund balance in the General Fund of \$197,483 and a total deficit balance of \$59,611. There was also a deficit unrestricted net assets in the governmental activities of \$142,866.

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

Response - The sponsors were made aware of the negatives in the fund balances. The Administration will work with the sponsors to eliminate these deficiencies.

Conclusion - Response accepted.

II-N-11 Checks Outstanding - We noted during our audit that the District had checks included in the Student Activity and General Fund bank reconciliations which have been outstanding for over a year.

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

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

Conclusion - Response accepted.

II-O-11 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

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

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

Response - The Library Fund and Book Fair fund will be moved to the General Fund. The Class of 2007 fund will be reclassified within the Activity Fund.

Conclusion - Response accepted.

Scholarship Awards: We noted that scholarships were paid from the Corner Conference and the Booster Club accounts in the Student Activity Fund.

Recommendation - Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds and subsequent expenditures for giving scholarships to students should be placed in Private Purpose Trust Fund.

Response - The scholarship money will be recorded in and paid out of the Trust Fund.

Conclusion - Response accepted.

II-P-11 Retention of Supporting Documentation - Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. During our audit we noted that food inventory documentation was not retained by the District for audit.

Recommendation - The District Secretary is required to preserve all copies of pertinent paperwork for the District to be in compliance with 291.6 of the Code of Iowa.

Response - The food inventory will be kept and retained by the District Secretary.

Conclusion - Response accepted.

II-Q-11 Daycare - We noted during our audit that an individual operates Trishie's Little Rebels Daycare(Daycare) on the District's premises. During our discussion with District personnel, we discovered the following that creates conflicts as to whether the Daycare is operating as part of the District or as a separate entity:

- The Daycare is not licensed by the State of Iowa to be a daycare provider. Chapter 237A.2 of the Code of Iowa says that no individual may establish or operate a child care center without obtaining a license from the State of Iowa.
- Currently, the District is filing DHS reimbursement forms on behalf of the Daycare. Once the reimbursement arrives, the District turns the reimbursement over to the Daycare. Since the Daycare is not licensed for operation in Iowa, it appears that the District has filed \$8,379.50 in fraudulent claims on behalf of the Daycare.
- The Daycare pays one dollar per month for rental of a portion of the District's building. One dollar for rent appears inappropriate considering utilities and janitorial costs to the District would be more than one dollar per month.

- The Daycare pays \$100 to the District for a rider on the District's insurance policy to operate on the District's premises.
- The individual operating the daycare is using her social security number and purchasing supplies from her own checking account for operation of the Daycare.

Recommendation - In reviewing the inconsistencies, the District's Board of Directors as well as the administration of the District needs to determine whether the Daycare is a separate entity from the District or an enterprise fund of the District. The accounting and legal requirements are distinctly different based on determination of the legal description of the entity.

If the Daycare is a part of the District, it is acceptable to claim the DHS reimbursements and provide space on the District's premises. The Daycare should be staffed with licensed individuals that have been background checked and hired by the District. Accounting for the Daycare would be included in the District's financial records and operated to comply with the District's Board policies and internal controls.

If the Daycare is a separate entity, the Daycare needs to obtain a license from the State of Iowa to be in compliance with Chapter 237A.2 of the Code of Iowa. The District should charge a fair rent for the space provided for the Daycare. The Daycare should provide proof of insurance that is separate of the District's insurance policy. Furthermore, the District should not represent itself as the Daycare for making claims to DHS for assistance.

The District needs to determine the legal description of the entity. Subsequent transactions and reporting requirements need to be consistent with that type of entity.

Response - The South Page administration is taking the following actions. On March 29, 2012, the administration will meet with the owner of the day care and tell her she must immediately take the measures necessary to become a licensed day care provider or mover her operation to another location. She will be provided a copy of the auditor's findings.

Conclusion - Response accepted.