

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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South Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (After September 2010 Reorganizational Meeting)		
Michelle Yuska	President	2013
Ron Hala	Vice President	2013
Jackie Dvorak	Board Member	2011
Mark McFate	Board Member	2011
Anne Michael	Board Member	2011
School Officials		
Kerri Nelson	Superintendent	2011
Kim Gardner	District Secretary	2011
Joanna Hofer	Director of Finance and Operations	2011
Ahlers & Cooney, P.C.	Attorney	2011

South Tama 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 Tama County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the South Tama County Community School District, Tama, Iowa as of and for the year ended June 30, 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 Tama County 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 February 6, 2012 on our consideration of South Tama County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Tama County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the 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 8, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Tama County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$13,708,639 in fiscal 2010 to \$14,510,672 in fiscal 2011, while General Fund expenditures decreased from \$15,481,920 in fiscal 2010 to \$15,338,261 in fiscal 2011. Even though revenues increased and expenditures decreased, expenditures still exceeded revenues, which resulted in a decrease in the District's General Fund balance from a deficit balance of \$181,538 in fiscal 2010 to a deficit \$1,009,127, a 455.88% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state aid during fiscal 2011. The decrease in expenditures was due primarily to decreases in the student and administration support service 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 Tama County Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

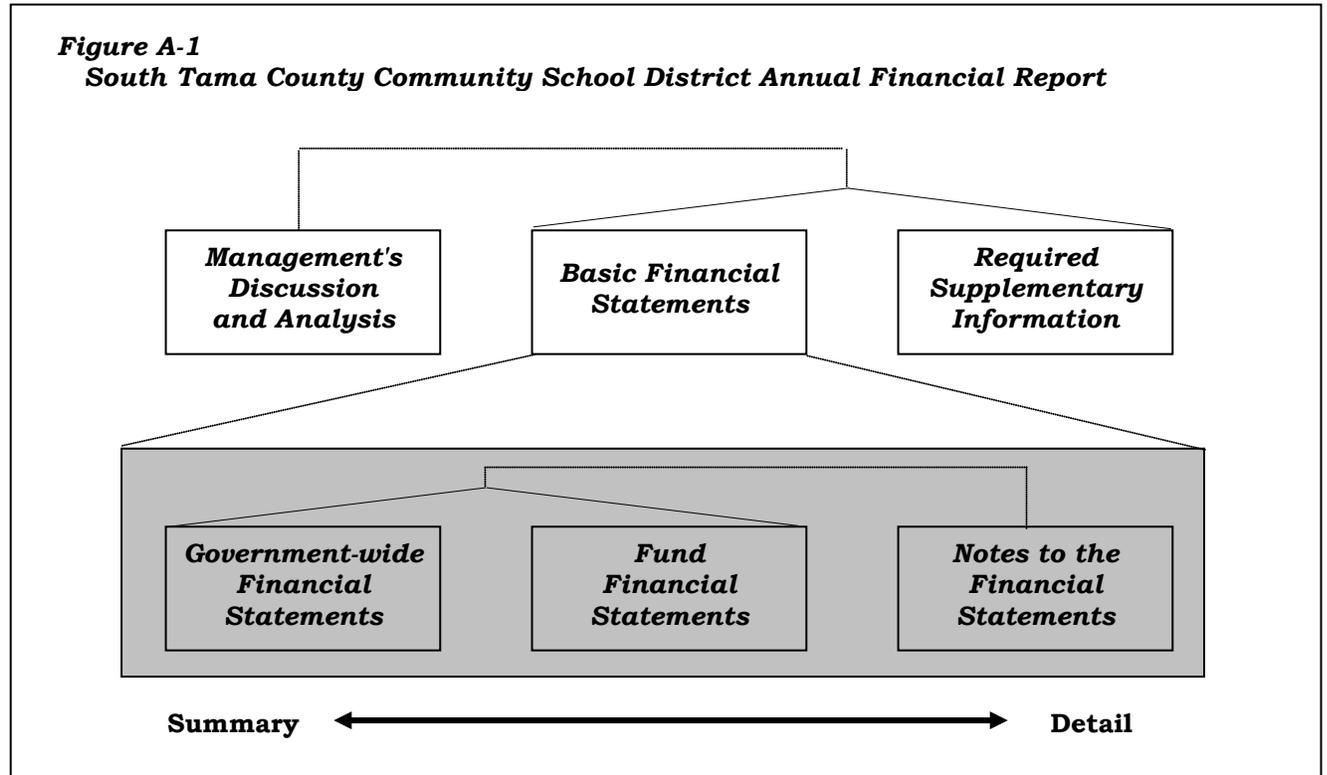


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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 of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 7,958,069	8,316,141	112,733	71,783	8,070,802	8,387,924	-3.78%
Capital assets	11,884,731	11,816,554	89,002	85,001	11,973,733	11,901,555	0.61%
Total assets	19,842,800	20,132,695	201,735	156,784	20,044,535	20,289,479	-1.21%
Long-term obligations	8,288,221	8,801,458	1,926	1,567	8,290,147	8,803,025	-5.83%
Other liabilities	6,311,721	5,786,881	56,669	34,840	6,368,390	5,821,721	9.39%
Total liabilities	14,599,942	14,588,339	58,595	36,407	14,658,537	14,624,746	0.23%
Net assets:							
Invested in capital assets, net of related debt	4,999,731	4,541,554	89,002	85,001	5,088,733	4,626,555	9.99%
Restricted	2,489,389	2,609,555	-	-	2,489,389	2,609,555	-4.60%
Unrestricted	(2,246,262)	(1,606,753)	54,138	35,376	(2,192,124)	(1,571,377)	-39.50%
Total net assets	\$ 5,242,858	5,544,356	143,140	120,377	5,385,998	5,664,733	-4.92%

The District's combined net assets decreased by 4.92%, or \$278,735, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$120,166, or 4.60% over the prior year. The decrease in restricted net assets was due primarily from the decrease in fund balances of the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$620,747, or 39.50%. The decrease in unrestricted net assets was due primarily from the decrease in the fund balance of the General Fund.

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

Figure A-4
Changes of Net Assets

	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
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 570,065	538,962	249,329	263,640	819,394	802,602	2.09%
Operating grants, contributions and restricted interest	1,930,757	4,062,522	447,772	444,843	2,378,529	4,507,365	-47.23%
Capital grants, contributions and restricted interest	45,741	92,856	-	-	45,741	92,856	-50.74%
General revenues:							
Property tax	4,022,806	3,817,340	-	-	4,022,806	3,817,340	5.38%
Income surtax	374,293	380,455	-	-	374,293	380,455	-1.62%
Statewide sales, services and use tax	965,847	992,760	-	-	965,847	992,760	-2.71%
Unrestricted state grants	8,014,797	5,905,064	-	-	8,014,797	5,905,064	35.73%
Nonspecific federal grants	592,299	-	-	-	592,299	-	100.00%
Other	294,761	156,673	926	2,676	295,687	159,349	85.56%
Transfers	(16,750)	63,271	16,750	(63,271)	-	-	0.00%
Total revenues & transfers	16,794,616	16,009,903	714,777	647,888	17,509,393	16,657,791	5.11%
Program expenses:							
Governmental activities:							
Instruction	10,383,447	11,108,935	-	-	10,383,447	11,108,935	-6.53%
Support services	5,442,505	5,521,091	5,939	-	5,448,444	5,521,091	-1.32%
Non-instructional programs	-	-	686,075	628,841	686,075	628,841	9.10%
Other expenses	1,270,162	1,632,697	-	-	1,270,162	1,632,697	-22.20%
Total expenses	17,096,114	18,262,723	692,014	628,841	17,788,128	18,891,564	-5.84%
Change in net assets	(301,498)	(2,252,820)	22,763	19,047	(278,735)	(2,233,773)	-87.52%
Net assets beginning of year, as restated	5,544,356	7,797,176	120,377	101,330	5,664,733	7,898,506	-28.28%
Net assets end of year	\$ 5,242,858	5,544,356	143,140	120,377	5,385,998	5,664,733	-4.92%

In fiscal 2011, property tax, statewide sales, services and use tax, unrestricted state grants, and operating grants, contributions and restricted interest account for 88.92% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$17.51 million of which approximately \$16.79 million was for governmental activities and approximately \$0.72 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.11% increase in revenues and a 5.84% decrease in expenses. The increase in revenues is related to increases in state aid during 2011. The decrease in expenditures is related to decreases in the student and administration support service functional areas.

Governmental Activities

Revenues for governmental activities were \$16,794,616 and expenses were \$17,096,114.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 10,383,447	11,108,935	-6.53%	8,748,820	7,214,513	21.27%
Support services	5,442,505	5,521,091	-1.42%	5,220,029	5,504,710	-5.17%
Other expenses	1,270,162	1,632,697	-22.20%	580,702	849,160	31.61%
Totals	\$ 17,096,114	18,262,723	-6.39%	14,549,551	13,568,383	7.23%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$570,065.
- Federal and state governments subsidized certain programs with operating grants and contributions totaling \$1,930,757, and capital grants and contributions totaling \$45,741.
- The net cost of governmental activities was financed with \$4,022,806 in property tax, \$374,293 in income surtax, \$965,847 in statewide sales, services and use tax, \$8,014,797 in unrestricted state grants, \$592,299 in nonspecific federal grants, \$31,143 in interest income, and other general revenues net of transfers of \$246,868.

Business type Activities

Revenues of the District's business type activities were \$714,777 and expenses were \$692,014. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,122,702, compared to last year's ending fund balances of \$2,243,988. The decrease in overall fund balance is mainly due to the decrease in fund balance of the General Fund.

Governmental Fund Highlights

- The General Fund balance decreased from a deficit \$181,538 in fiscal 2010 to deficit \$1,009,127 in fiscal 2011. Even though the District cut expenditures, expenditures still exceeded revenues during the year.
- The Capital Projects Fund balance decreased from \$1,849,550 in fiscal 2010 to \$1,587,556 in fiscal 2011. This was due to decreased revenues and increased expenditures as compared to the previous year.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$120,377 at June 30, 2010 to \$143,140 at June 30, 2011, representing an increase of 18.91%.

BUDGETARY HIGHLIGHTS

Over the course of the year, South Tama Community School District amended its budget one time to reflect additional expenditures in the instruction and support services functional areas.

The District's revenues were \$674,331 less than budgeted revenues, a variance of 3.71%. The most significant variance resulted from the District receiving less in local and 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$11,973,733, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of .61% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$548,717.

The original cost of the District's capital assets was \$18,131,903. Governmental funds account for \$17,862,698 with the remainder of \$269,205 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$169,712 reported at June 30, 2010, compared to \$0 at June 30, 2011. This decrease resulted from the fiber optic project being completed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 314,400	314,400	-	-	314,400	314,400	0.00%
Construction in progress	-	169,712	-	-	-	169,712	-100.00%
Buildings	10,703,274	10,730,234	-	-	10,703,274	10,730,234	-0.25%
Improvements other than buildings	138,995	152,903	-	-	138,995	152,903	-9.10%
Machinery and equipment	728,062	449,305	89,002	85,001	817,064	534,306	52.92%
Total	\$ 11,884,731	11,816,554	89,002	85,001	11,973,733	11,901,555	0.61%

Long-Term Debt

At June 30, 2011, the District had \$8,290,147 in general obligation and other long-term debt outstanding. This represents an decrease of 5.83% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$6,885,000 at June 30, 2011.

The District had compensated absences at June 30, 2011 of \$31,864.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$1,373,283 at June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 6,885,000	7,275,000	-	-	6,885,000	7,275,000	-5.36%
Compensated absences	29,938	20,880	1,926	1,567	31,864	22,447	41.95%
Early retirement	1,373,283	1,505,578	-	-	1,373,283	1,505,578	-8.79%
Total	\$ 8,288,221	8,801,458	1,926	1,567	8,290,147	8,803,025	-5.83%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.
- On July 1, 2011, the IPERS increased to 8.07% will increase the South Tama County Community Schools employer benefit costs during fiscal 2012. An additional increase to 8.67% is anticipated for FY13.
- The District has implemented a staffing plan, effective FY11, of approximately 5% fewer employees. This reduction, when combined with a significantly higher Cash Reserve levy beginning in FY11, will allow the District's fund balance to improve.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,101,449	87,063	2,188,512
Receivables:			
Property tax:			
Delinquent	72,549	-	72,549
Succeeding year	4,200,219	-	4,200,219
Income surtax	356,139	-	356,139
Accounts	99,598	1,342	100,940
Prepaid expenses	59,692	-	59,692
Due from other governments	854,423	7,148	861,571
Inventories	-	17,180	17,180
Capital assets, net of accumulated depreciation	11,884,731	89,002	11,973,733
Net OPEB asset	214,000	-	214,000
Total assets	19,842,800	201,735	20,044,535
Liabilities			
Accounts payable	178,430	1,123	179,553
Salaries and benefits payable	1,570,523	44,924	1,615,447
Interest payable	46,493	-	46,493
Deferred revenue:			
Succeeding year property tax	4,200,219	-	4,200,219
Other	316,056	-	316,056
Unearned revenue	-	10,622	10,622
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	405,000	-	405,000
Compensated absences	29,938	1,926	31,864
Early retirement payable	507,200	-	507,200
Portion due after one year:			
General obligation bonds payable	6,480,000	-	6,480,000
Early retirement payable	866,083	-	866,083
Total liabilities	14,599,942	58,595	14,658,537
Net Assets			
Invested in capital assets, net of related debt	4,999,731	89,002	5,088,733
Restricted for:			
Categorical funding	365,524	-	365,524
Student activities	179,736	-	179,736
Debt service	356,573	-	356,573
School infrastructure	1,444,909	-	1,444,909
Physical plant and equipment	142,647	-	142,647
Unrestricted	(2,246,262)	54,138	(2,192,124)
Total net assets	\$ 5,242,858	143,140	5,385,998

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,048,006	148,642	549,994	-	(5,349,370)	-	(5,349,370)
Special	2,585,768	167,003	192,966	-	(2,225,799)	-	(2,225,799)
Other	1,749,673	253,291	322,731	-	(1,173,651)	-	(1,173,651)
	<u>10,383,447</u>	<u>568,936</u>	<u>1,065,691</u>	<u>-</u>	<u>(8,748,820)</u>	<u>-</u>	<u>(8,748,820)</u>
Support services:							
Student	380,921	-	6,548	-	(374,373)	-	(374,373)
Instructional staff	902,697	-	129,122	-	(773,575)	-	(773,575)
Administration	1,990,057	-	1,500	-	(1,988,557)	-	(1,988,557)
Operation and maintenance							
of plant	1,514,634	-	-	45,741	(1,468,893)	-	(1,468,893)
Transportation	654,196	1,129	38,436	-	(614,631)	-	(614,631)
	<u>5,442,505</u>	<u>1,129</u>	<u>175,606</u>	<u>45,741</u>	<u>(5,220,029)</u>	<u>-</u>	<u>(5,220,029)</u>
Other expenditures:							
Long-term debt interest	289,074	-	-	-	(289,074)	-	(289,074)
AEA flowthrough	689,460	-	689,460	-	-	-	-
Depreciation(unallocated)*	291,628	-	-	-	(291,628)	-	(291,628)
	<u>1,270,162</u>	<u>-</u>	<u>689,460</u>	<u>-</u>	<u>(580,702)</u>	<u>-</u>	<u>(580,702)</u>
Total governmental activities	17,096,114	570,065	1,930,757	45,741	(14,549,551)	-	(14,549,551)
Business Type activities:							
Support Services:							
Administration	5,939	-	-	-	-	(5,939)	(5,939)
Non-instructional programs:							
Nutrition services	686,075	249,329	447,772	-	-	11,026	11,026
Total business type activities	<u>692,014</u>	<u>249,329</u>	<u>447,772</u>	<u>-</u>	<u>-</u>	<u>5,087</u>	<u>5,087</u>
Total	<u>\$ 17,788,128</u>	<u>819,394</u>	<u>2,378,529</u>	<u>45,741</u>	<u>(14,549,551)</u>	<u>5,087</u>	<u>(14,544,464)</u>
General Revenues & Transfers:							
General revenues:							
Property tax levied for:							
General purposes					\$ 3,887,844	-	3,887,844
Capital outlay					134,962	-	134,962
Income surtax					374,293	-	374,293
Statewide sales, services and use tax					965,847	-	965,847
Unrestricted state grants					8,014,797	-	8,014,797
Nonspecific federal grants					592,299	-	592,299
Unrestricted investment earnings					31,143	926	32,069
Other					263,618	-	263,618
Transfers					(16,750)	16,750	-
Total general revenues & transfers					<u>14,248,053</u>	<u>17,676</u>	<u>14,265,729</u>
Changes in net assets					(301,498)	22,763	(278,735)
Net assets beginning of year					<u>5,544,356</u>	<u>120,377</u>	<u>5,664,733</u>
Net assets end of year					<u>\$ 5,242,858</u>	<u>143,140</u>	<u>5,385,998</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 429,413	1,122,114	549,922	2,101,449
Receivables:				
Property tax:				
Delinquent	62,198	2,387	7,964	72,549
Succeeding year	3,616,452	158,767	425,000	4,200,219
Income surtax	-	356,139	-	356,139
Accounts	99,598	-	-	99,598
Prepaid expenses	59,692	-	-	59,692
Due from other governments	391,368	463,055	-	854,423
Total assets	\$ 4,658,721	2,102,462	982,886	7,744,069
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 164,817	-	13,613	178,430
Salaries and benefits payable	1,570,523	-	-	1,570,523
Deferred revenue:				
Succeeding year property tax	3,616,452	158,767	425,000	4,200,219
Income surtax	-	356,139	-	356,139
Other	316,056	-	-	316,056
Total liabilities	5,667,848	514,906	438,613	6,621,367
Fund balances:				
Restricted for:				
Categorical funding	365,524	-	-	365,524
Management levy purposes	-	-	7,964	7,964
Student activities	-	-	179,736	179,736
Debt service	-	-	356,573	356,573
School infrastructure	-	1,444,909	-	1,444,909
Physical plant and equipment	-	142,647	-	142,647
Unassigned	(1,374,651)	-	-	(1,374,651)
Total fund balances	(1,009,127)	1,587,556	544,273	1,122,702
Total liabilities and fund balances	\$ 4,658,721	2,102,462	982,886	7,744,069

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	1,122,702
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		11,884,731
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		356,139
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		214,000
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(46,493)
Long-term liabilities, including general obligation bonds, early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(8,288,221)</u>
Net assets of governmental activities(page 18)	\$	<u>5,242,858</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 3,437,644	1,445,454	450,200	5,333,298
Tuition	281,192	-	-	281,192
Other	258,298	51,746	275,820	585,864
Intermediate sources	129,122	-	-	129,122
State sources	9,121,720	3,597	317	9,125,634
Federal sources	1,280,867	45,741	-	1,326,608
Total revenues	<u>14,508,843</u>	<u>1,546,538</u>	<u>726,337</u>	<u>16,781,718</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,021,761	-	-	6,021,761
Special	2,628,897	-	-	2,628,897
Other	1,516,534	-	239,394	1,755,928
	<u>10,167,192</u>	<u>-</u>	<u>239,394</u>	<u>10,406,586</u>
Support services:				
Student	497,984	-	-	497,984
Instructional staff	853,019	77,281	-	930,300
Administration	1,545,783	-	456,290	2,002,073
Operation and maintenance of plant	1,026,660	172,269	63,178	1,262,107
Transportation	540,435	462,608	16,906	1,019,949
	<u>4,463,881</u>	<u>712,158</u>	<u>536,374</u>	<u>5,712,413</u>
Other expenditures:				
Facilities acquisitions	-	414,538	-	414,538
Long-term debt:				
Principal	-	-	390,000	390,000
Interest and fiscal charges	-	-	291,836	291,836
AEA flowthrough	689,460	-	-	689,460
	<u>689,460</u>	<u>414,538</u>	<u>681,836</u>	<u>1,785,834</u>
Total expenditures	<u>15,320,533</u>	<u>1,126,696</u>	<u>1,457,604</u>	<u>17,904,833</u>
Excess(Deficiency) of revenues over(under) expenditures	(811,690)	419,842	(731,267)	(1,123,115)
Other financing sources(uses):				
Transfers in	-	-	699,564	699,564
Transfers out	(17,728)	(681,836)	-	(699,564)
Proceeds from sale of equipment	1,829	-	-	1,829
Total other financing sources(uses)	<u>(15,899)</u>	<u>(681,836)</u>	<u>699,564</u>	<u>1,829</u>
Net change in fund balances	(827,589)	(261,994)	(31,703)	(1,121,286)
Fund balances beginning of year, as restated	(181,538)	1,849,550	575,976	2,243,988
Fund balances end of year	<u>\$ (1,009,127)</u>	<u>1,587,556</u>	<u>544,273</u>	<u>1,122,702</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ (1,121,286)

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

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

Capital outlays	\$ 604,145	
Depreciation expense	(535,968)	68,177

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 29,648

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. 390,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,762

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

Early retirement	\$ 132,295	
Compensated absences	(9,058)	
Other postemployment benefits	205,964	329,201

Changes in net assets of governmental activities(page 19) \$ (301,498)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 87,063
Accounts receivable	1,342
Due from other governments	7,148
Inventories	17,180
Capital assets, net of accumulated depreciation	89,002
Total assets	<u>201,735</u>
Liabilities	
Accounts payable	1,123
Salaries and benefits payable	44,924
Unearned revenue	10,622
Compensated absences	1,926
Total liabilities	<u>58,595</u>
Net assets	
Invested in capital assets	89,002
Unrestricted	54,138
Total net assets	<u>\$ 143,140</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 245,983
Miscellaneous	3,346
Total operating revenues	249,329
Operating expenses:	
Support services:	
Administration:	
Services	5,939
Non-instructional programs:	
Food service operations:	
Salaries	277,873
Benefits	41,627
Services	11,787
Supplies	342,039
Depreciation	12,749
	686,075
Total operating expenses	692,014
Operating loss	(442,685)
Non-operating revenues:	
State sources	6,707
Federal sources	441,065
Interest income	926
Total non-operating revenues	448,698
Change in net assets before other financing sources	6,013
Other financing sources:	
Capital contributions	16,750
Changes in net assets	22,763
Net assets beginning of year	120,377
Net assets end of year	\$ 143,140

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY 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	\$ 246,293
Cash received from miscellaneous	3,346
Cash payments to employees for services	(299,675)
Cash payments to suppliers for goods or services	(309,016)
Net cash used in operating activities	(359,052)
Cash flows from non-capital financing activities:	
State grants received	6,707
Federal grants received	399,404
Net cash provided by non-capital financing activities:	406,111
Cash flows from investing activities:	
Interest on investments	926
Net cash provided by investing activities	926
Net increase in cash and cash equivalents	47,985
Cash and cash equivalents at beginning of year	39,078
Cash and cash equivalents at end of year	\$ 87,063
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (442,685)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	34,513
Depreciation	12,749
Decrease in inventories	15,113
Increase in accounts receivable	(930)
Increase in accounts payable	1,123
Increase in salaries and benefits payable	19,466
Increase in unearned revenue	1,240
Increase in compensated absences	359
Net cash used in operating activities	\$ (359,052)
Non-cash investing, capital and related financing activities:	
During the year ended June 30, 2011, the District received Federal commodities valued at \$34,513.	
During the year ended June 30, 2011, the District received \$16,750 in contributed capital from the PPEL Fund.	

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 12,074	18,602
Due from other governments	-	147
Total assets	12,074	18,749
Liabilities		
Accounts payable	-	252
Due to other governments	2,000	18,497
Total liabilities	2,000	18,749
Net assets		
Reserved for scholarhips	\$ 10,074	-

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Contributions	\$ 12,074
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	2,000
Change in net assets	10,074
Net assets beginning of year	-
Net assets end of year	\$ 10,074

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

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 and other capital assets.

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

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

The 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.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had no investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio pursuant to Rule 2a-7 under the Investment Company Act of 1940.

(3) Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue, Management Levy	General	\$ 17,728
Debt Service	Capital Projects, Statewide Sales, Services and Use Tax	<u>681,836</u>
Total		<u>\$ 699,564</u>

The transfer from the General Fund to the Special Revenue, Management Fund was needed for the payment of retirees insurance.

The transfers from the Capital Projects, Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for the principal and interest payment of the general obligation bond indebtedness.

(4) Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 314,400	-	-	314,400
Construction in progress	169,712	24,694	194,406	-
Total capital assets not being depreciated	<u>484,112</u>	<u>24,694</u>	<u>194,406</u>	<u>314,400</u>
Capital assets being depreciated:				
Buildings	13,449,418	250,760	-	13,700,178
Land improvements	278,149	-	-	278,149
Machinery and equipment	3,266,663	523,097	219,789	3,569,971
Total capital assets being depreciated	<u>16,994,230</u>	<u>773,857</u>	<u>219,789</u>	<u>17,548,298</u>
Less accumulated depreciation for:				
Buildings	2,719,184	277,720	-	2,996,904
Land improvements	125,246	13,908	-	139,154
Machinery and equipment	2,817,358	244,340	219,789	2,841,909
Total accumulated depreciation	<u>5,661,788</u>	<u>535,968</u>	<u>219,789</u>	<u>5,977,967</u>
Total capital assets being depreciated, net	<u>11,332,442</u>	<u>237,889</u>	<u>-</u>	<u>11,570,331</u>
Governmental activities capital assets, net	<u>\$ 11,816,554</u>	<u>262,583</u>	<u>194,406</u>	<u>11,884,731</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 252,455	16,750	-	269,205
Less accumulated depreciation	167,454	12,749	-	180,203
Business type activities capital assets, net	\$ 85,001	4,001	-	89,002

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 46,437
Other		5,073
Support services:		
Instructional staff		31,459
Administration		10,742
Operation and maintenance of plant		35,766
Transportation		114,863
		<u>244,340</u>
Unallocated depreciation		<u>291,628</u>
Total governmental activities depreciation expense		<u>\$ 535,968</u>
Business type activities:		
Food services		<u>\$ 12,749</u>

(5) 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:					
General obligation bonds	\$ 7,275,000	-	390,000	6,885,000	405,000
Compensated absences	20,880	29,938	20,880	29,938	29,938
Early retirement	1,505,578	173,390	305,685	1,373,283	507,200
Total	\$ 8,801,458	203,328	716,565	8,288,221	942,138
Business Type Activities:					
Compensated absences	\$ 1,567	1,926	1,567	1,926	1,926

Bonds Payable

Details of the District's June 30, 2011 general obligation bonds are as follows:

Year Ending June 30,	Bond issue dated December 1, 2004				
	Interest Rates	Principal	Interest	Total	
2012	4.25	% \$ 405,000	274,705	679,705	
2013	4.25	425,000	257,280	682,280	
2014	3.55-4.00	440,000	239,280	679,280	
2015	3.55-3.65	460,000	222,987	682,987	
2016	3.65-3.75	480,000	206,130	686,130	
2017-2021	3.75-4.20	2,725,000	732,593	3,457,593	
2022-2024	4.20-4.35	1,950,000	149,273	2,099,273	
Total		<u>\$ 6,885,000</u>	<u>2,082,248</u>	<u>8,967,248</u>	

Retirement Incentive

The District offers a voluntary retirement incentive plan to its employees. Eligible employees must have completed six years of continuous service to the South Tama School District and at least fifteen years of total service to the education field. Employees must complete an application which is required to be approved by the Board of Education. The retirement incentive for each eligible employee is equal to a percent of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum dollar amount of \$6,500 per individual. Retirement incentive benefits paid during the year ended June 30, 2011, totaled \$305,685. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund retirement incentive.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% 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 \$673,803, \$697,253, and \$641,987 respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 234 active and 58 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

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

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

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

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

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

Annual required contribution	\$ 282,000
Interest on net OPEB obligation	(362)
Adjustment to annual required contribution	398
Annual OPEB cost (expense)	<u>282,036</u>
Contributions made	<u>(488,000)</u>
Increase in net OPEB obligation	(205,964)
Net OPEB obligation - beginning of year	<u>(8,036)</u>
Net OPEB obligation - end of year	<u>\$ (214,000)</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

For fiscal year 2011, the District contributed \$488,000 to the medical plan. Plan members receiving benefits contributed \$197,000, or 29.76% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 212,000	103.30%	\$ (7,000)
2010	211,964	100.49%	(8,036)
2011	282,036	173.03%	(214,000)

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$3.213 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.213 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.40 million, and the ratio of the UAAL to the covered payroll was 34.2%. 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 events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2010 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$731 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$689,460 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.

(10) Deficit Fund Balance/Net Assets

The District had a deficit unassigned fund balance in the General Fund of \$1,374,651 and a deficit fund balance in the General Fund of \$1,009,127. The District also had deficit unrestricted net assets in Governmental Activities of \$2,246,262.

(11) Categorical Funding

The District's ending restricted balance for categorical funding at June 30, 2011 is comprised of the following programs:

Project	Amount
Gifted and talented	\$ 32,651
Beginning teacher mentoring	1,291
Educator quality, basic salary	131,030
Beginning administrator mentoring	1,500
Statewide voluntary preschool	64,428
State decategorization grant	10,140
Juvenile delinquency grant	31,221
Professional development	93,263
Total	<u>\$ 365,524</u>

(12) 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:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 1,536,928	312,622
Changes in fund type classification per implementation of GASB Statement No. 54	<u>312,622</u>	<u>(312,622)</u>
Balances July 1, 2010, as restated	<u>\$ 1,849,550</u>	<u>0</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 6,200,354	250,255	6,450,609	6,966,323	6,966,323	(515,714)
Intermediate sources	129,122	-	129,122	-	-	129,122
State sources	9,125,634	6,707	9,132,341	10,035,571	10,035,571	(903,230)
Federal sources	1,326,608	441,065	1,767,673	1,152,182	1,152,182	615,491
Total revenues	16,781,718	698,027	17,479,745	18,154,076	18,154,076	(674,331)
Expenditures/Expenses:						
Instruction	10,406,586	-	10,406,586	10,360,000	10,410,000	3,414
Support services	5,712,413	5,939	5,718,352	5,659,000	6,009,000	290,648
Non-instructional programs	-	686,075	686,075	790,000	790,000	103,925
Other expenditures	1,785,834	-	1,785,834	1,879,574	1,879,574	93,740
Total expenditures/expenses	17,904,833	692,014	18,596,847	18,688,574	19,088,574	491,727
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,123,115)	6,013	(1,117,102)	(534,498)	(934,498)	(182,604)
Other financing sources, net	1,829	16,750	18,579	750	750	17,829
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing sources	(1,121,286)	22,763	(1,098,523)	(533,748)	(933,748)	(164,775)
Balance beginning of year	2,243,988	120,377	2,364,365	2,526,715	2,526,715	(162,350)
Balance end of year	\$ 1,122,702	143,140	1,265,842	1,992,967	1,592,967	(327,125)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY 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, the District adopted one budget amendment, increasing budgeted expenditures by \$400,000.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2009	July 1, 2008	\$ -	\$ 2,312,000	\$ 2,312,000	0.0%	\$ 9,045,000	25.6%
2010	July 1, 2008	-	2,312,000	2,312,000	0.0%	4,493,226	51.5%
2011	July 1, 2010	-	3,213,000	3,213,000	0.0%	9,398,223	34.2%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds				Total
	Management Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets					
Cash and pooled investments	\$ -	193,349	193,349	356,573	549,922
Receivables:					
Property tax:					
Delinquent	7,964	-	7,964	-	7,964
Succeeding year	425,000	-	425,000	-	425,000
Total assets	\$ 432,964	193,349	626,313	356,573	982,886
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	13,613	13,613	-	13,613
Deferred revenue:					
Succeeding year property tax	425,000	-	425,000	-	425,000
Total liabilities	425,000	13,613	438,613	-	438,613
Fund balances:					
Restricted for:					
Management levy purposes	7,964	-	7,964	-	7,964
Student activities	-	179,736	179,736	-	179,736
Debt service	-	-	-	356,573	356,573
Total fund balances	7,964	179,736	187,700	356,573	544,273
Total liabilities and fund balances	\$ 432,964	193,349	626,313	356,573	982,886

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds				Total
	Management Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Revenues:					
Local sources:					
Local tax	\$ 450,200	-	450,200	-	450,200
Other	22,617	253,203	275,820	-	275,820
State sources	317	-	317	-	317
Total revenues	473,134	253,203	726,337	-	726,337
Expenditures:					
Current:					
Instruction:					
Other	-	239,394	239,394	-	239,394
Support services:					
Administration	456,290	-	456,290	-	456,290
Operation and maintenance of plant	63,178	-	63,178	-	63,178
Transportation	16,906	-	16,906	-	16,906
Other expenditures:					
Long-term debt:					
Principal	-	-	-	390,000	390,000
Interest and fiscal charges	-	-	-	291,836	291,836
Total expenditures	536,374	239,394	775,768	681,836	1,457,604
Excess(Deficiency) of revenues over(under) expenditures	(63,240)	13,809	(49,431)	(681,836)	(731,267)
Other financing sources:					
Transfers in	17,728	-	17,728	681,836	699,564
Net change in fund balances	(45,512)	13,809	(31,703)	-	(31,703)
Fund balances beginning of year, as restated	53,476	165,927	219,403	356,573	575,976
Fund balances end of year	\$ 7,964	179,736	187,700	356,573	544,273

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY 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	\$ 981,854	140,260	1,122,114
Receivables:			
Property tax:			
Delinquent	-	2,387	2,387
Succeeding year	-	158,767	158,767
Income surtax	-	356,139	356,139
Due from other governments	463,055	-	463,055
Total assets	\$ 1,444,909	657,553	2,102,462
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	158,767	158,767
Income surtax	-	356,139	356,139
Total liabilities	-	514,906	514,906
Fund balances:			
Restricted for:			
School infrastructure	1,444,909	-	1,444,909
Physical plant and equipment	-	142,647	142,647
Total fund balances	1,444,909	142,647	1,587,556
Total liabilities and fund balances	\$ 1,444,909	657,553	2,102,462

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT 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	\$ 965,847	479,607	1,445,454
Other	-	51,746	51,746
State sources	-	3,597	3,597
Federal sources	-	45,741	45,741
Total revenues	<u>965,847</u>	<u>580,691</u>	<u>1,546,538</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	77,281	77,281
Operation and maintenance of plant	-	172,269	172,269
Transportation	351,336	111,272	462,608
Other expenditures:			
Facilities acquisitions	24,694	389,844	414,538
Total expenditures	<u>376,030</u>	<u>750,666</u>	<u>1,126,696</u>
Excess(Deficiency) of revenues over(under) expenditures	589,817	(169,975)	419,842
Other financing uses:			
Transfer out	(681,836)	-	(681,836)
Net change in fund balances	(92,019)	(169,975)	(261,994)
Fund balances beginning of year, as restated	<u>1,536,928</u>	<u>312,622</u>	<u>1,849,550</u>
Fund balances end of year	<u>\$ 1,444,909</u>	<u>142,647</u>	<u>1,587,556</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Change	Balance End of Year
Interest	\$ 4	-	-	-	4
District Registration	-	6,160	-	-	6,160
Cross Country	1,000	622	1,510	-	112
Boys Basketball	2,966	6,656	4,249	-	5,373
Basketball fundraising	196	-	-	-	196
Football	9,409	17,762	15,145	(180)	11,846
Football fundraising	-	60	-	-	60
Special Fundraising	66	-	-	-	66
Boys Soccer	1,257	666	1,777	-	146
Girls Soccer	1,090	1,461	2,887	336	-
Baseball	3,460	2,688	2,921	-	3,227
Boys Golf	588	493	1,523	442	-
Girls Golf	613	363	1,685	709	-
Wrestling	1,900	3,506	5,256	-	150
Girls Basketball	3,258	20,361	11,935	-	11,684
Volleyball	3,016	10,565	3,520	(264)	9,797
Softball	5,556	2,705	2,544	-	5,717
Boys Track	1,240	4,253	3,139	315	2,669
Girls Track	2,002	1,383	2,305	-	1,080
Boys Tennis	612	56	668	-	-
Girls Tennis	536	-	1,279	743	-
Elementary Activity	5,081	2,803	3,673	(410)	3,801
Elementary Assembly	189	-	599	410	-
Elementary Red Ribbon	190	-	-	-	190
Elementary Book Fair	-	2,326	-	-	2,326
MS Activities	1,843	825	-	-	2,668
MS Assembly	3,796	456	-	-	4,252
MS Athletics	6,027	6,794	7,988	-	4,833
MS Concessions	-	2,534	-	-	2,534
MS Band	1,146	803	496	-	1,453
MS Vocal	863	76	64	-	875
MS Student Council	1,476	3,109	2,664	-	1,921
MS Magazine Sales	6,269	19,296	20,729	(195)	4,641
MS Special Ed Activity	7,125	-	8,153	1,028	-
HS Activities	2,342	719	5	(476)	2,580
HS Athletic-Activity	4,259	681	6,832	2,065	173
SBYS Activities	51	-	-	(51)	-
Diversity Account	1,381	-	-	-	1,381
HS Drill Team	548	693	1,045	-	196

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

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year	Balance End of Year
Annual	7,744	9,892	11,638	-	5,998
Art Activities	1,012	98	-	(1,110)	-
Art Club	361	48	129	(280)	-
Cheerleaders	53	2,042	3,214	1,119	-
ALM Club	1,332	1,294	995	-	1,631
HS Class Activity	307	-	-	479	786
Class of 2009	43	-	-	-	43
Class of 2010	217	-	-	-	217
Class of 2011	-	-	39	39	-
Class of 2012	-	-	46	46	-
Class of 2013	-	-	59	59	-
Class of 2014	-	-	51	51	-
HS Concessions	6,263	48,701	31,675	(4,667)	18,622
Drama Club	1,289	5,089	5,915	-	463
Environmental Science	4,722	6,739	9,805	-	1,656
FCA Club	446	42	9	(479)	-
FFA Club	9,341	20,904	20,105	-	10,140
FCCLA Club	22	-	-	-	22
National Honor Society	100	1,061	1,637	476	-
National Art Honor Society	-	451	485	1,391	1,357
HS Band	21,705	2,158	4,052	1,872	21,683
Harding Street	762	441	1,643	440	-
Musical	5,288	3,377	2,635	-	6,030
HS Vocal	2,533	419	1,540	-	1,412
Music Dept Cards	647	-	-	-	647
HS PE Club	25	-	-	-	25
Plays	2,503	2,458	1,999	-	2,962
Pop, HS Student	3,072	6,853	5,762	-	4,163
Soda Club	-	505	400	-	105
Speech Club	362	638	2,549	1,911	362
HS Special Ed	1,028	1,585	1,585	(1,028)	-
HS Student Council	1,012	7,892	6,543	(225)	2,136
HS Vending	-	4,264	2,092	-	2,172
Volleyball Club	116	-	-	(116)	-
HS Prom Account	2,050	1,480	3,312	225	443
Blue Crew	1,055	385	797	-	643
Instrumental Music	-	-	250	250	-
Pride Club	-	1,716	1,401	-	315
HS Color Guard	532	233	741	-	24
Athletic Tickets	7,935	1,230	900	(4,925)	3,340
HS Gamers Club	695	333	800	-	228
Total	\$ 165,927	253,203	239,394	-	179,736

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 JUNE 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 29,185	26,087	36,670	18,602
Due from other governments	148	-	1	147
Total assets	\$ 29,333	26,087	36,671	18,749
Liabilities				
Accounts payable	\$ -	252	-	252
Due to other governments	29,333	26,087	36,923	18,497
Total liabilities	\$ 29,333	26,339	36,923	18,749

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 5,333,298	5,166,123	4,977,485	4,759,199	4,442,371	4,469,659	4,122,921	3,633,127
Tuition	281,192	182,651	168,851	171,241	139,472	152,363	132,301	126,783
Other	585,864	517,868	728,177	915,783	708,657	660,114	730,825	593,641
Intermediate sources	129,122	139,301	500	-	2,000	5,895	1,530	1,825
State sources	9,125,634	7,995,459	9,484,059	9,187,454	8,255,004	8,113,530	7,803,209	6,952,980
Federal sources	1,326,608	1,918,019	1,544,043	1,203,147	1,221,073	1,646,920	1,389,011	1,246,690
Total	\$ 16,781,718	15,919,421	16,903,115	16,236,824	14,768,577	15,048,481	14,179,797	12,555,046
Expenditures:								
Current:								
Instruction:								
Regular	\$ 6,021,761	6,621,478	6,415,047	6,211,111	5,669,803	5,346,409	5,169,553	5,222,259
Special	2,628,897	2,076,917	2,132,297	2,111,149	1,919,218	2,644,628	2,510,195	2,402,292
Other	1,755,928	1,648,381	2,160,490	1,823,380	1,710,503	993,609	1,090,402	884,448
Support services:								
Student	497,984	550,398	291,971	285,627	218,513	287,237	230,147	307,912
Instructional staff	930,300	857,963	502,609	352,132	299,096	356,873	197,301	184,627
Administration	2,002,073	2,041,053	2,007,267	1,948,973	1,890,429	1,871,832	2,022,185	1,540,421
Operation and maintenance of plant	1,262,107	1,148,054	1,121,137	1,182,312	1,335,823	1,222,974	1,049,550	982,246
Transportation services	1,019,949	678,849	732,906	584,335	574,556	644,149	465,085	491,554
Central services	-	-	-	-	-	-	-	7,533
Other expenditures:								
Facilities acquisitions	414,538	531,359	324,846	281,796	1,260,095	8,222,543	687,194	75,135
Long-term debt:								
Principal	390,000	375,000	360,000	345,000	330,000	315,000	-	-
Interest	291,836	307,936	322,893	335,380	345,355	354,317	148,869	-
AEA flowthrough	689,460	690,681	601,832	577,648	528,031	512,470	499,369	472,195
Total	\$ 17,904,833	17,528,069	16,973,295	16,038,843	16,081,422	22,772,041	14,069,850	12,570,622

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF THE INTERIOR:			
INDIAN EDUCATION - ASSISTANCE TO SCHOOLS	15.130	FY 11	\$ 40,320
DEPARTMENT OF EDUCATION:			
IMPACT AID GRANT	84.041	FY 11	435,199
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	73,981
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	358,466
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 11	8,148
			<u>440,595</u>
TEAM NUTRITION GRANT	10.574	FY 11	470
DEPARTMENT OF JUSTICE:			
TITLE V DELINQUENCY PREVENTION	16.548	FY 11	1
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 11	296,590
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	46,633
			<u>343,223</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES STATE GRANTS	84.186	FY 11	5,987
PARENTAL ASSISTANCE CENTERS	84.310	FY 09	1,856
PARENTAL ASSISTANCE CENTERS	84.310	FY 10	1,457
			<u>3,313</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 11	75,980
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 08	317
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 11	9,165
			<u>9,482</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	83,036
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, PROFESSIONAL DEVELOPMENT	84.397	FY 11	74,064
			<u>157,100</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANT)	84.215	FY 10	45,741
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 11	82,027
SPECIAL EDUCATION - GRANTS TO STATES(PART B, RECOVERY ACT)	84.391	FY 10	86,585
			<u>168,612</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	15,757
TOTAL			<u>\$ 1,741,780</u>

* -Includes \$34,513 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Tama County Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 6, 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 Tama County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of South Tama County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Tama County Community School District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Tama County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit South Tama County Community School District's responses and, accordingly, we express no opinion on them.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 6, 2012

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements That Could Have
a Direct and Material Effect on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of South Tama County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. South Tama County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of South Tama County Community School District's management. Our responsibility is to express an opinion on South Tama County Community School District's compliance based on our audit.

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

In our opinion, South Tama County Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 6, 2012

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.041 - Impact Aid
 - Clustered Programs:
 - Nutrition Cluster
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Title 1 Cluster
 - CFDA Number 84.010 - Title I (SINA - Schools in Need of Assistance)
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) South Tama County Community School District did not qualify as a low-risk auditee.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - The District will continue to review procedures and practices in place, and make adjustments where possible.

Conclusion - Response accepted.

II-B-11 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - 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 the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The District has interest accounts in the Student Activity Fund. It appears that interest earned was not allocated during the year. Allocation of interest should be done at least annually.

We noted during our audit that the District has a Class of 2009 and a Class of 2010 account. Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as startup funds for the next incoming class or transferred to another student activity fund account.

Response - The District will move the \$3.82 interest balance to the HS Athletics account. Class of 2009 and Class of 2010 balances will be used as startup funds for other classes.

Conclusion - Response accepted.

II-C-11 Scholarships - We noted that the District wrote a check to Iowa State Admissions for the Brooke Upah Scholarship. The District indicated that the money was raised for the purpose of a scholarship, however, was deposited and recorded in the Student Activity Fund.

Recommendation - The District should deposit the fundraised money into the fund where it can be legally paid. The fundraised revenue should be recorded directly into the Trust Fund.

Response - The District has historically paid those scholarships from Trust Funds, but erred during FY11. That error will be corrected, and future scholarships will again be paid from Trust Funds.

Conclusion - Response accepted.

II-D-11 Payroll Procedures - We noted that the District is keeping timesheets for coaches who are non-certified staff; however, payroll is not receiving them to reconcile hours to ensure that they are receiving at least minimum wage.

Recommendation - The District should review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks and that hourly timesheets are available to reconcile hours worked to their pay check.

Response - The District does indeed have time sheets for non-certified staff; they are housed in the Activities Director's office, since payroll is calculated using their board-approved contracts. We will see that those time sheets are housed in the business office.

Conclusion - Response accepted.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010: Title I (SINA - Schools in Need of Assistance)
CFDA Number 84.389: Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.041: Impact Aid Grant
Federal Award Year: 2011
U.S. Department of Education

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - The District will continue to review procedures and practices in place, and make adjustments where possible.

Conclusion - Response accepted.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.
- IV-B-11 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-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.
- IV-D-11 Business Transactions - No business transactions between the District and District officials were noted.
- IV-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.
- IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 1.32 students.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - The District has contacted the Iowa Department of Education and the Iowa Department of Management and resolved the matter.
- Conclusion - Response accepted.
- IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-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.
- IV-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.
- IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning balance		\$	1,536,928
Revenues/transfers in:			
Sales tax revenues			965,847
			<u>2,502,775</u>
Expenditures/transfers out:			
Equipment	\$	351,336	
Other		24,694	
Transfers to other funds:			
Debt service fund		<u>681,836</u>	<u>1,057,866</u>
Ending balance		\$	<u><u>1,444,909</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 2.31000	\$ 681,836

IV-M-11 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. We noted the District does not obtain the image of the back of each cancelled check in the Physical Plant and Equipment Levy as required.

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

Response - Chelsea Savings Bank now has the service available. Images of front and back of all checks will now be included with all bank statements.

Conclusion - Response accepted.

IV-N-11 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

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

Response - The District continues to attempt to contact all holders of checks, and checks are voided and/or re-issued. Checks dormant for two years will be submitted as unclaimed property, per correspondence with Treasurer, State of Iowa office.

Conclusion - Response accepted.

IV-O-11 Financial Condition - At June 30, 2011, the General Fund had a deficit unassigned fund balance of \$1,374,651 and a deficit fund balance of \$1,009,127. Also, the Governmental Activities had deficit unrestricted net assets of \$2,246,262.

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

Response - The District is closely monitoring balances and is making adjustments to reduce expenditures and increase revenues through Cash Reserve Levy (FY12) and the implementation of an Instructional Support Levy (FY13).

Conclusion - Response accepted.