

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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South Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2011 Election)		
Michelle Yuska	President	2013
Ron Hala	Vice President	2013
Jackie Dvorak	Board Member	2011
Mark McFate	Board Member	2011
Anne Michael	Board Member	2011
(After September 2011 Election)		
Michelle Yuska	President	2013
Ron Hala	Vice President	2013
Jackie Dvorak	Board Member	2015
Mark McFate	Board Member	2015
Anne Michael	Board Member	2015
School Officials		
Kerri Nelson	Superintendent	2012
Kim Gardner	District Secretary	2012
Joanna Hofer	Director of Finance and Operations	2012
Ahlers & Cooney, P.C.	Attorney	2012

South Tama Community School District

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(a professional corporation)
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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, 2012, 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, 2012, 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 January 4, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement the basic

financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economical or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any insurance.

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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

January 4, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$14,510,672 in fiscal 2011 to \$14,961,866 in fiscal 2012, while General Fund expenditures increased from \$15,338,261 in fiscal 2011 to \$15,691,614 in fiscal 2012. Although revenues increased as compared to the previous year, the increase in expenditures outweighed the increase in revenues, which resulted in a decrease in the District's General Fund balance from a deficit balance of \$1,009,127 in fiscal 2011 to a deficit \$1,738,875 in fiscal 2012, a 72.31% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax and state aid during fiscal 2012. The increase in expenditures was due primarily to increases in the instruction 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.

Supplementary Information provides detailed information about the nonmajor governmental funds and Capital Project accounts. 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.

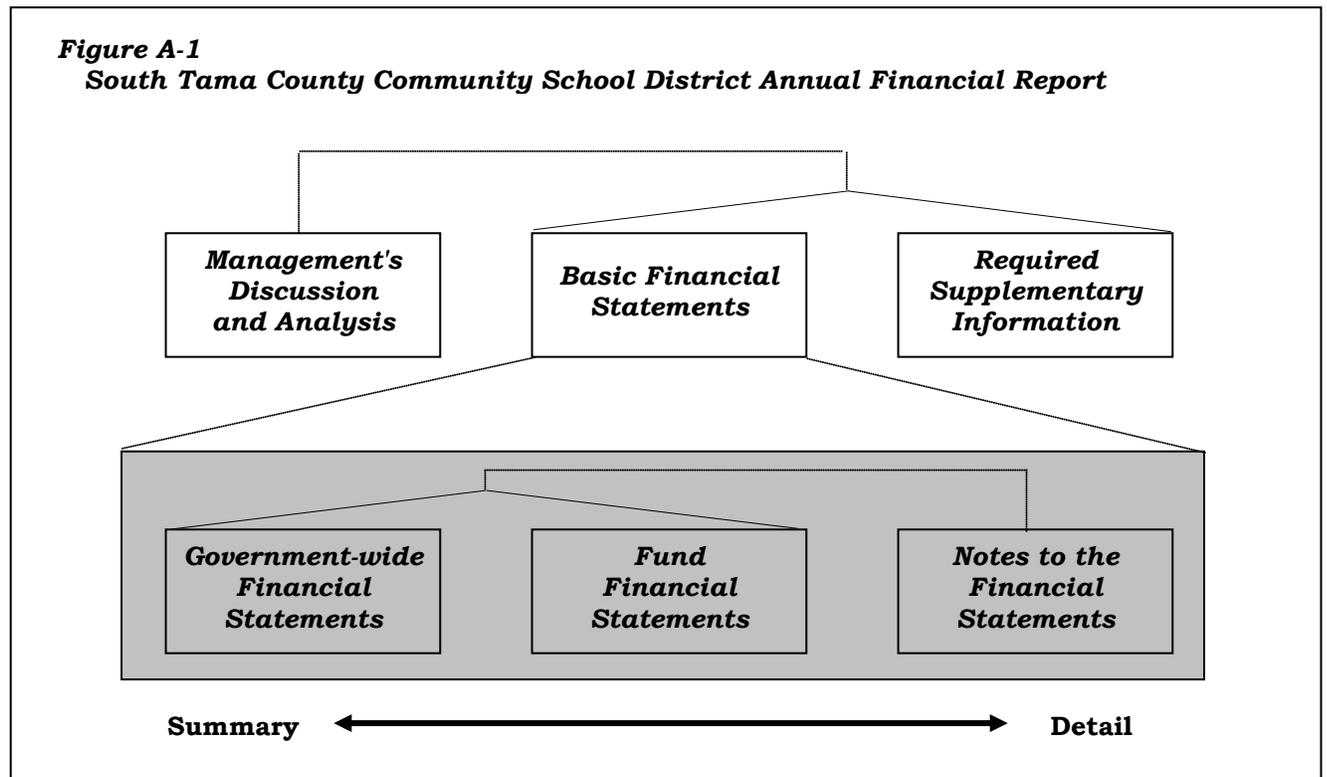


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2012 compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 13,977,452	7,958,069	104,831	112,733	14,082,283	8,070,802	74.48%
Capital assets	11,697,659	11,884,731	77,919	89,002	11,775,578	11,973,733	-1.65%
Total assets	25,675,111	19,842,800	182,750	201,735	25,857,861	20,044,535	29.00%
Long-term obligations	13,355,071	8,288,221	2,108	1,926	13,357,179	8,290,147	61.12%
Other liabilities	7,189,613	6,311,721	53,213	56,669	7,242,826	6,368,390	13.73%
Total liabilities	20,544,684	14,599,942	55,321	58,595	20,600,005	14,658,537	40.53%
Net assets:							
Invested in capital assets, net of related debt	5,132,696	4,999,731	77,919	89,002	5,210,615	5,088,733	2.40%
Restricted	2,160,369	2,489,389	-	-	2,160,369	2,489,389	-13.22%
Unrestricted	(2,162,638)	(2,246,262)	49,510	54,138	(2,113,128)	(2,192,124)	3.60%
Total net assets	\$ 5,130,427	5,242,858	127,429	143,140	5,257,856	5,385,998	-2.38%

The District's combined net assets decreased by 2.38%, or \$128,142, 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 \$329,020, or 13.22% over the prior year. This decrease was primarily due to a decrease in categorical funding carryover for the year, as compared to the previous year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$78,996, or 3.60%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4
Changes of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2011-12
	2012	2011	2012	2011	2012	2011	
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 671,625	570,065	248,688	249,329	920,313	819,394	12.32%
Operating grants, contributions and restricted interest	1,706,231	1,930,757	482,048	447,772	2,188,279	2,378,529	-8.00%
Capital grants, contributions and restricted interest	22,000	45,741	888	-	22,888	45,741	-49.96%
General revenues:							
Property tax	4,187,979	4,022,806	-	-	4,187,979	4,022,806	4.11%
Income surtax	334,725	374,293	-	-	334,725	374,293	-10.57%
Statewide sales, services and use tax	1,143,755	965,847	-	-	1,143,755	965,847	18.42%
Unrestricted state grants	8,839,430	8,014,797	-	-	8,839,430	8,014,797	10.29%
Nonspecific federal grants	320,183	592,299	-	-	320,183	592,299	-45.94%
Unrestricted interest earnings	15,809	31,143	662	926	16,471	32,069	-48.64%
Other	127,953	263,618	-	-	127,953	263,618	-51.46%
Transfers	-	(16,750)	-	16,750	-	-	-100.00%
Total revenues & transfers	17,369,690	16,794,616	732,286	714,777	18,101,976	17,509,393	3.38%
Program expenses:							
Governmental activities:							
Instruction	10,645,125	10,383,447	-	-	10,645,125	10,383,447	2.52%
Support services	5,626,568	5,442,505	2,608	5,939	5,629,176	5,448,444	3.32%
Non-instructional programs	344	-	745,389	686,075	745,733	686,075	8.70%
Other expenses	1,210,084	1,270,162	-	-	1,210,084	1,270,162	-4.73%
Total expenses	17,482,121	17,096,114	747,997	692,014	18,230,118	17,788,128	2.48%
Change in net assets	(112,431)	(301,498)	(15,711)	22,763	(128,142)	(278,735)	-54.03%
Net assets beginning of year	5,242,858	5,544,356	143,140	120,377	5,385,998	5,664,733	-4.92%
Net assets end of year	\$ 5,130,427	5,242,858	127,429	143,140	5,257,856	5,385,998	-2.38%

In fiscal 2012, property tax, statewide sales, services and use tax, unrestricted state grants, and operating grants, contributions and restricted interest account for 91.41% 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 \$18.10 million of which approximately \$17.37 million was for governmental activities and approximately \$0.73 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.38% increase in revenues and a 2.48% increase in expenses. The increase in revenues is related to increases in local and state aid during 2012. The increase in expenditures is related to an increase in the instruction functional areas.

Governmental Activities

Revenues for governmental activities were \$17,369,690 and expenses were \$17,482,121.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 10,645,125	10,383,447	2.52%	8,931,780	8,748,820	2.09%
Support services	5,626,568	5,442,505	3.38%	5,569,042	5,220,029	6.69%
Non-instructional	344	-	100.00%	344	-	100.00%
Other expenses	1,210,084	1,270,162	-4.73%	581,099	580,702	-0.07%
Totals	\$ 17,482,121	17,096,114	2.26%	15,082,265	14,549,551	3.66%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$671,625.
- Federal and state governments subsidized certain programs with operating grants and contributions totaling \$1,706,231, and capital grants and contributions totaling \$22,000.
- The net cost of governmental activities was financed with \$4,187,979 in property tax, \$334,725 in income surtax, \$1,143,755 in statewide sales, services and use tax, \$8,839,430 in unrestricted state grants, \$320,183 in nonspecific federal grants, \$15,809 in interest income, and other general revenues of \$127,953.

Business type Activities

Revenues of the District's business type activities were \$732,286 and expenses were \$747,997. 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 \$6,083,529, compared to last year's ending fund balances of \$1,122,702. The increase in overall fund balance is mainly due to the cash held in escrow for the crossover refunding bond issuance completed during the year.

Governmental Fund Highlights

- The General Fund balance decreased from a deficit \$1,009,127 in fiscal 2011 to deficit \$1,738,875 in fiscal 2012. Local tax and state source revenues increased during fiscal 2012. Expenditures in the instruction functional area also increased during the year. The increase in revenues was not enough to offset the increase in expenditures, causing the decrease in the fund balance.
- The Capital Projects Fund balance increased from \$1,587,556 in fiscal 2011 to \$1,791,057 in fiscal 2012. Revenues increased from \$1,546,538 in fiscal 2011 to \$1,696,603 in fiscal 2012, due primarily to an increase in local tax revenue. Expenditures decreased from \$1,808,532 in fiscal 2011 to \$1,493,102 in fiscal 2012. The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was less in the current year for the General Obligation Bond debt payments.
- The Debt Service Fund balance increased from \$356,573 in fiscal 2011 to \$5,811,959 in fiscal 2012. This increase was primarily due to the issuance of a \$5,875,000 crossover refunding bond.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$143,140 at June 30, 2011 to \$127,429 at June 30, 2012, representing a decrease of 10.98%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$348,886 more than budgeted revenues, a variance of 1.96%. The most significant variance resulted from the District receiving more in local and federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, support services, and non-instructional expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$11,775,578, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.65% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$542,013.

The original cost of the District's capital assets was \$18,419,870. Governmental funds account for \$18,167,090 with the remainder of \$252,780 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$817,064 reported at June 30, 2011, compared to \$910,537 at June 30, 2012. This increase resulted from the purchase of two busses 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,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 314,400	314,400	-	-	314,400	314,400	0.00%
Buildings	10,425,554	10,703,274	-	-	10,425,554	10,703,274	-2.59%
Improvements other than buildings	125,087	138,995	-	-	125,087	138,995	-10.01%
Machinery and equipment	832,618	728,062	77,919	89,002	910,537	817,064	11.44%
Total	\$ 11,697,659	11,884,731	77,919	89,002	11,775,578	11,973,733	-1.65%

Long-Term Debt

At June 30, 2012, the District had \$13,357,179 in general obligation and other long-term debt outstanding. This represents an increase of 61.12% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had outstanding general obligation bonds of \$12,355,000 at June 30, 2012.

The District had compensated absences at June 30, 2012 of \$46,611.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$955,568 at June 30, 2012.

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,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 12,355,000	6,885,000	-	-	12,355,000	6,885,000	79.45%
Compensated absences	44,503	29,938	2,108	1,926	46,611	31,864	46.28%
Early retirement	955,568	1,373,283	-	-	955,568	1,373,283	-30.42%
Total	\$ 13,355,071	8,288,221	2,108	1,926	13,357,179	8,290,147	61.12%

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, 2012, the IPERS increased to 8.67% will increase the South Tama County Community Schools employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for FY14.
 - The District has implemented an Instructional Support Levy in FY13 that 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 Kerri Nelson, Superintendent, 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, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 7,271,261	78,064	7,349,325
Receivables:			
Property tax:			
Delinquent	71,522	-	71,522
Succeeding year	5,007,990	-	5,007,990
Income surtax	345,432	-	345,432
Accounts	24,893	556	25,449
Due from other governments	813,520	11,501	825,021
Inventories	-	14,710	14,710
Prepaid expenses	23,396	-	23,396
Net OPEB asset	419,438	-	419,438
Capital assets, net of accumulated depreciation	11,697,659	77,919	11,775,578
Total assets	25,675,111	182,750	25,857,861
Liabilities			
Accounts payable	513,132	-	513,132
Salaries and benefits payable	1,607,388	43,612	1,651,000
Interest payable	60,560	-	60,560
Deferred revenue:			
Succeeding year property tax	5,007,990	-	5,007,990
Other	543	-	543
Unearned revenue	-	9,601	9,601
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	425,000	-	425,000
Compensated absences	44,503	2,108	46,611
Early retirement payable	334,461	-	334,461
Portion due after one year:			
General obligation bonds payable	11,930,000	-	11,930,000
Early retirement payable	621,107	-	621,107
Total liabilities	20,544,684	55,321	20,600,005
Net Assets			
Invested in capital assets, net of related debt	5,132,696	77,919	5,210,615
Restricted for:			
Categorical funding	159,603	-	159,603
Debt service	21,922	-	21,922
Student activities	207,668	-	207,668
School infrastructure	1,613,497	-	1,613,497
Physical plant and equipment	157,679	-	157,679
Unrestricted	(2,162,638)	49,510	(2,113,128)
Total net assets	\$ 5,130,427	127,429	5,257,856

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,307,206	249,966	142,830	-	(5,914,410)	-	(5,914,410)
Special	2,602,828	162,648	78,233	-	(2,361,947)	-	(2,361,947)
Other	1,735,091	258,942	820,726	-	(655,423)	-	(655,423)
	<u>10,645,125</u>	<u>671,556</u>	<u>1,041,789</u>	<u>-</u>	<u>(8,931,780)</u>	<u>-</u>	<u>(8,931,780)</u>
Support services:							
Student	504,826	-	35,125	-	(469,701)	-	(469,701)
Instructional staff	728,961	-	-	-	(728,961)	-	(728,961)
Administration	1,947,241	-	-	-	(1,947,241)	-	(1,947,241)
Operation and maintenance of plant	1,773,780	-	-	22,000	(1,751,780)	-	(1,751,780)
Transportation	671,760	69	332	-	(671,359)	-	(671,359)
	<u>5,626,568</u>	<u>69</u>	<u>35,457</u>	<u>22,000</u>	<u>(5,569,042)</u>	<u>-</u>	<u>(5,569,042)</u>
Non-instructional programs:							
Food service operations	344	-	-	-	(344)	-	(344)
Long-term debt interest	289,472	-	-	-	(289,472)	-	(289,472)
Other expenditures:							
AEA flowthrough	628,985	-	628,985	-	-	-	-
Depreciation(unallocated)*	291,627	-	-	-	(291,627)	-	(291,627)
	<u>920,612</u>	<u>-</u>	<u>628,985</u>	<u>-</u>	<u>(291,627)</u>	<u>-</u>	<u>(291,627)</u>
Total governmental activities	17,482,121	671,625	1,706,231	22,000	(15,082,265)	-	(15,082,265)
Business Type activities:							
Support services:							
Administration	2,608	-	-	-	-	(2,608)	(2,608)
Non-instructional programs:							
Nutrition services	745,389	248,688	482,048	888	-	(13,765)	(13,765)
Total business type activities	<u>747,997</u>	<u>248,688</u>	<u>482,048</u>	<u>888</u>	<u>-</u>	<u>(16,373)</u>	<u>(16,373)</u>
Total	\$ 18,230,118	920,313	2,188,279	22,888	(15,082,265)	(16,373)	(15,098,638)
General Revenues:							
General revenues:							
Property tax levied for:							
General purposes					\$ 4,004,673	-	4,004,673
Capital outlay					183,306	-	183,306
Income surtax					334,725	-	334,725
Statewide sales, services and use tax					1,143,755	-	1,143,755
Unrestricted state grants					8,839,430	-	8,839,430
Nonspecific federal grants					320,183	-	320,183
Unrestricted investment earnings					15,809	662	16,471
Other					127,953	-	127,953
Total general revenues					<u>14,969,834</u>	<u>662</u>	<u>14,970,496</u>
Changes in net assets					(112,431)	(15,711)	(128,142)
Net assets beginning of year					<u>5,242,858</u>	<u>143,140</u>	<u>5,385,998</u>
Net assets end of year					<u>\$ 5,130,427</u>	<u>127,429</u>	<u>5,257,856</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, 2012

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 13,858	1,233,096	5,811,959	212,348	7,271,261
Receivables:					
Property tax:					
Delinquent	61,483	2,729	-	7,310	71,522
Succeeding year	4,411,950	71,040	-	525,000	5,007,990
Income surtax	-	345,432	-	-	345,432
Accounts	24,893	-	-	-	24,893
Due from other funds	-	6,337	-	-	6,337
Due from other governments	240,347	573,173	-	-	813,520
Prepaid expenses	3,515	19,881	-	-	23,396
Total assets	\$ 4,756,046	2,251,688	5,811,959	744,658	13,564,351
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ 6,337	-	-	-	6,337
Accounts payable	468,703	44,159	-	270	513,132
Salaries and benefits payable	1,607,388	-	-	-	1,607,388
Deferred revenue:					
Succeeding year property tax	4,411,950	71,040	-	525,000	5,007,990
Income surtax	-	345,432	-	-	345,432
Other	543	-	-	-	543
Total liabilities	6,494,921	460,631	-	525,270	7,480,822
Fund balances:					
Restricted for:					
Nonspendable	3,515	19,881	-	-	23,396
Categorical funding	159,603	-	-	-	159,603
Debt service	-	-	21,922	-	21,922
Crossover refunding bonds	-	-	5,790,037	-	5,790,037
Management levy purposes	-	-	-	11,720	11,720
Student activities	-	-	-	207,668	207,668
School infrastructure	-	1,613,497	-	-	1,613,497
Physical plant and equipment	-	157,679	-	-	157,679
Unassigned	(1,901,993)	-	-	-	(1,901,993)
Total fund balances	(1,738,875)	1,791,057	5,811,959	219,388	6,083,529
Total liabilities and fund balances	\$ 4,756,046	2,251,688	5,811,959	744,658	13,564,351

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, 2012

Total fund balances of governmental funds(page 20)	\$	6,083,529
 <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.		11,697,659
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		345,432
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		419,438
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.		(60,560)
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>(13,355,071)</u>
Net assets of governmental activities(page 18)	\$	<u><u>5,130,427</u></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, 2012

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 3,579,088	1,672,493	-	425,585	5,677,166
Tuition	277,037	-	-	-	277,037
Other	249,903	24,005	-	297,611	571,519
State sources	9,732,700	105	-	282	9,733,087
Federal sources	1,121,588	-	-	-	1,121,588
Total revenues	14,960,316	1,696,603	-	723,478	17,380,397
Expenditures:					
Current:					
Instruction:					
Regular	6,572,919	-	-	196,518	6,769,437
Special	2,645,847	-	-	-	2,645,847
Other	1,467,853	-	-	239,233	1,707,086
	10,686,619	-	-	435,751	11,122,370
Support services:					
Student	514,215	-	-	-	514,215
Instructional staff	536,808	183,724	-	-	720,532
Administration	1,770,828	-	31,485	166,552	1,968,865
Operation and maintenance of plant	1,040,398	135,686	-	69,026	1,245,110
Transportation	513,417	268,617	-	20,461	802,495
	4,375,666	588,027	31,485	256,039	5,251,217
Non-instructional programs:					
Community service operations	344	-	-	-	344
Capital outlays	-	564,597	-	-	564,597
Long-term debt:					
Principal	-	-	405,000	-	405,000
Interest and fiscal charges	-	-	275,405	-	275,405
	-	-	680,405	-	680,405
Other expenditures:					
AEA flowthrough	628,985	-	-	-	628,985
Total expenditures	15,691,614	1,152,624	711,890	691,790	18,247,918
Excess(Deficiency) of revenues over(under) expenditures	(731,298)	543,979	(711,890)	31,688	(867,521)
Other financing sources(uses):					
Transfer in	-	-	340,478	-	340,478
Transfer out	-	(340,478)	-	-	(340,478)
Sale of equipment	1,550	-	-	-	1,550
Crossover refunding bond issuance	-	-	5,875,000	-	5,875,000
Discount on bond issuance	-	-	(48,202)	-	(48,202)
Total other financing sources(uses)	1,550	(340,478)	6,167,276	-	5,828,348
Net change in fund balances	(729,748)	203,501	5,455,386	31,688	4,960,827
Fund balances beginning of year	(1,009,127)	1,587,556	356,573	187,700	1,122,702
Fund balances end of year	\$ (1,738,875)	1,791,057	5,811,959	219,388	6,083,529

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, 2012

Net change in fund balances - total governmental funds(page 22) \$ 4,960,827

**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 and depreciation expense in the current year are as follows:

Capital outlays	\$ 343,099	
Depreciation expense	<u>(530,171)</u>	(187,072)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (10,707)

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

Issued	\$ (5,875,000)	
Repaid	<u>405,000</u>	(5,470,000)

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. (14,067)

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	\$ 417,715	
Compensated absences	(14,565)	
Other postemployment benefits	<u>205,438</u>	<u>608,588</u>

Changes in net assets of governmental activities(page 19) \$ (112,431)

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	School Nutrition
Assets	
Cash and pooled investments	\$ 78,064
Accounts receivable	556
Due from other governments	11,501
Inventories	14,710
Capital assets, net of accumulated depreciation	77,919
Total assets	182,750
Liabilities	
Salaries and benefits payable	43,612
Unearned revenue	9,601
Compensated absences	2,108
Total liabilities	55,321
Net assets	
Invested in capital assets	77,919
Unrestricted	49,510
Total net assets	\$ 127,429

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 248,688
Operating expenses:	
Support services:	
Administration:	
Services	2,608
Non-instructional programs:	
Food service operations:	
Salaries	295,768
Benefits	46,959
Services	7,096
Supplies	376,890
Depreciation	11,841
	738,554
Total operating expenses	741,162
Operating loss	(492,474)
Non-operating revenues(expenses):	
State sources	6,883
Federal sources	475,165
Interest income	662
Loss on disposal	(6,835)
Total non-operating revenues	475,875
Change in net assets before other financing sources	(16,599)
Capital contributions	888
Changes in net assets	(15,711)
Net assets beginning of year	143,140
Net assets end of year	\$ 127,429

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 248,453
Cash payments to employees for services	(343,857)
Cash payments to suppliers for goods or services	(341,454)
Net cash used in operating activities	(436,858)
Cash flows from non-capital financing activities:	
State grants received	6,883
Federal grants received	427,019
Net cash provided by non-capital financing activities:	433,902
Cash flows from investing activities:	
Interest on investments	662
Cash flows from capital financing activities:	
Purchase of assets	(6,705)
Net decrease in cash and cash equivalents	(8,999)
Cash and cash equivalents at beginning of year	87,063
Cash and cash equivalents at end of year	\$ 78,064
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (492,474)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	43,793
Depreciation	11,841
Decrease in inventories	2,470
Decrease in accounts receivable	786
Decrease in accounts payable	(1,123)
Decrease in salaries and benefits payable	(1,312)
Decrease in unearned revenue	(1,021)
Increase in compensated absences	182
Net cash used in operating activities	\$ (436,858)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received
Federal commodities valued at \$43,793.

During the year ended June 30, 2012, the Nutrition Fund received
\$888 in contributed capital from the Capital Projects: Physical
Plant and Equipment Levy.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2012

	Private Purpose Trust	Agency
	Scholarship	
Assets		
Cash and pooled investments	\$ 12,074	28,366
Total assets	12,074	28,366
Liabilities		
Accounts payable	2,000	-
Due to other groups	-	28,366
Total liabilities	2,000	28,366
Net assets		
Restricted 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, 2012

	Private Purpose Trust Scholarship
Additions:	\$ -
Deductions:	-
Change in net assets	-
Net assets beginning of year	10,074
Net assets end of year	\$ 10,074

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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. The value of the U.S. Treasury Securities on deposit with escrow agent as part of the crossover refunding bond issue have been added to the invested in capital assets, net of related debt.

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 property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

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

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

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

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

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

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

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

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. 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.

Nonspendable - Amounts that include prepaid expenses in the General Fund and in the Capital Projects: Physical Plant and Equipment Levy. These amounts include conference dues, inventory supplies, software maintenance costs, and copier lease payments.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the instruction, support services and non-instructional functions.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2012 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, 2012, 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) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects:		
Statewide Sales, Services and Use Tax	General	<u>\$ 6,337</u>

The General Fund is repaying the Capital Projects: Statewide Sales, Services and Use Tax Fund for a temporary transfer.

(4) Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Capital Projects:		
Debt Service	Statewide Sales, Services and Use Tax	<u>\$ 340,478</u>

The transfer 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.

(5) Iowa Schools Cash Anticipation Program (ISCAP)

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

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2011-2012A included taxable and tax-exempt warrants. The District participated in the issuance of the taxable warrants. The interest rates on the taxable Series 2011-2012A and taxable Series 2011-2012B warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2012 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A	6/30/2011	6/23/2012	-	50,001	50,001	-

During the year ended June 30, 2012, the District paid \$277 of interest on the ISCAP warrants.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 314,400	-	-	314,400
Total capital assets not being depreciated	<u>314,400</u>	<u>-</u>	<u>-</u>	<u>314,400</u>
Capital assets being depreciated:				
Buildings	13,700,178	-	-	13,700,178
Land improvements	278,149	-	-	278,149
Machinery and equipment	3,569,971	343,100	38,708	3,874,363
Total capital assets being depreciated	<u>17,548,298</u>	<u>343,100</u>	<u>38,708</u>	<u>17,852,690</u>
Less accumulated depreciation for:				
Buildings	2,996,904	277,720	-	3,274,624
Land improvements	139,154	13,908	-	153,062
Machinery and equipment	2,841,909	238,544	38,708	3,041,745
Total accumulated depreciation	<u>5,977,967</u>	<u>530,172</u>	<u>38,708</u>	<u>6,469,431</u>
Total capital assets being depreciated, net	<u>11,570,331</u>	<u>(187,072)</u>	<u>-</u>	<u>11,383,259</u>
Governmental activities capital assets, net	<u>\$ 11,884,731</u>	<u>(187,072)</u>	<u>-</u>	<u>11,697,659</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 269,205	7,593	24,018	252,780
Less accumulated depreciation	180,203	11,841	17,183	174,861
Business type activities capital assets, net	<u>\$ 89,002</u>	<u>(4,248)</u>	<u>6,835</u>	<u>77,919</u>

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				\$ 18,293
Other				3,710
Support services:				
Instructional staff				36,658
Operation and maintenance of plant				29,164
Transportation				150,719
				<u>238,544</u>
Unallocated depreciation				<u>291,627</u>
Total governmental activities depreciation expense				<u>\$ 530,171</u>
Business type activities:				
Food services				<u>\$ 11,841</u>

(7) **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year			Balance End of Year	Due Within One Year
		Additions	Deletions		
Governmental Activities:					
General obligation bonds	\$ 6,885,000	5,875,000	405,000	12,355,000	425,000
Compensated absences	29,938	44,503	29,938	44,503	44,503
Early retirement	1,373,283	104,000	521,715	955,568	334,461
Total	\$ 8,288,221	6,023,503	956,653	13,355,071	803,964
Business Type Activities:					
Compensated absences	\$ 1,926	2,108	1,926	2,108	2,108

General Obligation Bonds Payable

On May 3, 2012, the District issued \$5,875,000 of general obligation refunding bonds, with interest rates ranging from 0.65%-2.70%, for a crossover refunding portion of the general obligation bonds issued December 1, 2004. The District entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. Securities. These securities were placed in an escrow account for the express purpose of paying \$5,615,000 of principal of the refunded general obligation bonds when they become callable on May 1, 2014 and the interest from November 1, 2012 to and including May 1, 2014 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

Year Ending June 30,	Bond issue dated December 1, 2004				Bond issue dated May 3, 2012				Total		
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2013	4.25 %	\$ 425,000	257,280	682,280	0.65 %	\$ -	105,705	105,705	425,000	362,985	787,985
2014	3.55-4.00	440,000	239,280	679,280	0.65	-	105,705	105,705	440,000	344,985	784,985
2015	3.55-3.65	460,000	222,987	682,987	0.65-0.80	550,000	104,811	654,811	1,010,000	327,798	1,337,798
2016	3.65-3.75	480,000	206,130	686,130	0.90-1.05	555,000	100,480	655,480	1,035,000	306,610	1,341,610
2017	3.75-3.85	500,000	188,062	688,062	1.15-1.30	560,000	94,693	654,693	1,060,000	282,755	1,342,755
2018-2022	3.85-4.25	2,845,000	621,413	3,466,413	1.40-2.40	2,940,000	336,210	3,276,210	5,785,000	957,623	6,742,623
2023-2024	4.25-4.35	1,330,000	72,391	1,402,391	2.50-2.70	1,270,000	41,937	1,311,937	2,600,000	114,328	2,714,328
Total		\$ 6,480,000	1,807,543	8,287,543		\$ 5,875,000	889,541	6,764,541	12,355,000	2,697,084	15,052,084

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 County 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, 2012, totaled \$521,715. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund retirement incentive.

(8) 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$784,032, \$673,803, and \$697,253 respectively, equal to the required contributions for each year.

(9) 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, 2012, 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	(9,630)
Adjustment to annual required contribution	8,192
Annual OPEB cost (expense)	<u>280,562</u>
Contributions made	<u>(486,000)</u>
Increase in net OPEB obligation	(205,438)
Net OPEB obligation - beginning of year	<u>(214,000)</u>
Net OPEB obligation - end of year	<u>\$ (419,438)</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, 2012.

For fiscal year 2012, the District contributed \$486,000 to the medical plan. Plan members receiving benefits contributed \$222,000, or 31.36% 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 211,964	100.49%	\$ (8,036)
2011	282,036	173.03%	(214,000)
2012	280,562	173.22%	(419,438)

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$3.83 million, and the ratio of the UAAL to the covered payroll was 83.8%. As of June 30, 2012, 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.

(10) 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.

(11) 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 \$628,985 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Deficit Fund Balance/Net Assets

The District had a deficit unassigned fund balance in the General Fund of \$1,901,993. The District also had deficit unrestricted net assets in Governmental Activities of \$2,162,638.

(13) Categorical Funding

The District's ending restricted balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Project</u>	<u>Amount</u>
Gifted and talented	\$ 27,227
At-Risk supplemental weighting	9,664
Dropout and dropout prevention	2,850
Beginning administrator mentoring	1,500
Statewide voluntary preschool	35,175
State decategorization grant	13,858
Juvenile delinquency grant	24,035
Professional development	45,294
Total	<u>\$ 159,603</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, 2012

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual		Actual		Variance
Revenues:						
Local sources	\$ 6,525,722	249,350	6,775,072	6,537,710	6,537,710	237,362
State sources	9,733,087	6,883	9,739,970	9,830,699	9,830,699	(90,729)
Federal sources	1,121,588	475,165	1,596,753	1,394,500	1,394,500	202,253
Total revenues	17,380,397	731,398	18,111,795	17,762,909	17,762,909	348,886
Expenditures/Expenses:						
Instruction	11,122,370	-	11,122,370	10,525,000	10,525,000	(597,370)
Support services	5,251,217	2,608	5,253,825	5,231,650	5,231,650	(22,175)
Non-instructional programs	344	745,389	745,733	725,000	725,000	(20,733)
Other expenditures	1,873,987	-	1,873,987	1,926,410	1,926,410	52,423
Total expenditures/expenses	18,247,918	747,997	18,995,915	18,408,060	18,408,060	(587,855)
Excess(Deficiency) of revenues over(under) expenditures/expenses	(867,521)	(16,599)	(884,120)	(645,151)	(645,151)	(238,969)
Other financing sources, net	5,828,348	888	5,829,236	-	-	5,829,236
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing sources	4,960,827	(15,711)	4,945,116	(645,151)	(645,151)	5,590,267
Balance beginning of year	1,122,702	143,140	1,265,842	1,299,018	1,299,018	(33,176)
Balance end of year	\$ 6,083,529	127,429	6,210,958	653,867	653,867	5,557,091

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

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

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

During the year ended June 30, 2012, expenditures in the instruction, support services, and non-instructional functions exceeded the amounts budgeted.

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	Unfunded	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
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%
2012	July 1, 2010	-	3,213,000	3,213,000	0.0%	3,833,933	83.8%

See Note 9 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.

SUPPLEMENTARY INFORMATION

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 4,410	207,938	212,348
Receivables:			
Property tax:			
Delinquent	7,310	-	7,310
Succeeding year	525,000	-	525,000
Total assets	\$ 536,720	207,938	744,658
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	-	270	270
Deferred revenue:			
Succeeding year property tax	525,000	-	525,000
Total liabilities	525,000	270	525,270
Fund balances:			
Restricted for:			
Management levy purposes	11,720	-	11,720
Student activities	-	207,668	207,668
Total fund balances	11,720	207,668	219,388
Total liabilities and fund balances	\$ 536,720	207,938	744,658

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, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 425,585	-	425,585
Other	30,446	267,165	297,611
State sources	282	-	282
Total revenues	456,313	267,165	723,478
Expenditures:			
Current:			
Instruction:			
Regular	196,518	-	196,518
Other	-	239,233	239,233
Support services:			
Administration	166,552	-	166,552
Operation and maintenance of plant	69,026	-	69,026
Transportation	20,461	-	20,461
Total expenditures	452,557	239,233	691,790
Net change in fund balances	3,756	27,932	31,688
Fund balances beginning of year	7,964	179,736	187,700
Fund balances end of year	\$ 11,720	207,668	219,388

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,033,987	199,109	1,233,096
Receivables:			
Property tax:			
Delinquent	-	2,729	2,729
Succeeding year	-	71,040	71,040
Income surtax	-	345,432	345,432
Due from other funds	6,337	-	6,337
Due from other governments	573,173	-	573,173
Prepaid expenses	-	19,881	19,881
Total assets	\$ 1,613,497	638,191	2,251,688
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	44,159	44,159
Deferred revenue:			
Succeeding year property tax	-	71,040	71,040
Income surtax	-	345,432	345,432
Total liabilities	-	460,631	460,631
Fund balances:			
Restricted for:			
Nonspendable	-	19,881	19,881
School infrastructure	1,613,497	-	1,613,497
Physical plant and equipment	-	157,679	157,679
Total fund balances	1,613,497	177,560	1,791,057
Total liabilities and fund balances	\$ 1,613,497	638,191	2,251,688

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, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,143,755	528,738	1,672,493
Other	22,000	2,005	24,005
State sources	-	105	105
Total revenues	<u>1,165,755</u>	<u>530,848</u>	<u>1,696,603</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	135,118	48,606	183,724
Operation and maintenance of plant	-	135,686	135,686
Transportation	268,617	-	268,617
Capital outlays	252,954	311,643	564,597
Total expenditures	<u>656,689</u>	<u>495,935</u>	<u>1,152,624</u>
Excess(Deficiency) of revenues over(under) expenditures	509,066	34,913	543,979
Other financing uses:			
Transfer out	(340,478)	-	(340,478)
Net change in fund balances	168,588	34,913	203,501
Fund balances beginning of year	<u>1,444,909</u>	<u>142,647</u>	<u>1,587,556</u>
Fund balances end of year	<u>\$ 1,613,497</u>	<u>177,560</u>	<u>1,791,057</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, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Change	Balance End of Year
Interest	\$ 4	4	-	-	8
District Registration	6,160	11,267	-	-	17,427
Cross Country	112	1,292	1,924	1,500	980
Boys Basketball	5,373	8,818	4,843	-	9,348
Basketball fundraising	196	-	-	-	196
Football	11,846	21,688	20,878	(1,000)	11,656
Football fundraising	60	-	-	-	60
Special Fundraising	66	-	-	-	66
Boys Soccer	146	3,542	2,426	-	1,262
Girls Soccer	-	1,815	2,258	1,000	557
Baseball	3,227	5,702	5,706	-	3,223
Boys Golf	-	418	791	900	527
Girls Golf	-	583	3,741	4,000	842
Wrestling	150	10,396	8,413	-	2,133
Girls Basketball	11,684	15,135	15,272	-	11,547
Volleyball	9,797	6,321	3,706	-	12,412
Softball	5,717	3,521	4,694	-	4,544
Boys Track	2,669	6,781	7,913	-	1,537
Girls Track	1,080	5,579	4,508	-	2,151
Boys Tennis	-	53	192	500	361
Girls Tennis	-	-	893	1,500	607
Elementary Activity	3,801	1,466	2,442	-	2,825
Elementary Assembly	-	737	-	-	737
Elementary Red Ribbon	190	-	-	-	190
Elementary Book Fair	2,326	5,110	5,037	-	2,399
MS Activities	2,668	-	120	(1,140)	1,408
MS Assembly	4,252	640	-	-	4,892
MS Athletics	4,833	2,979	8,499	687	-
MS Concessions	2,534	13,179	6,882	-	8,831
MS Band	1,453	1,002	1,205	453	1,703
MS Vocal	875	106	-	-	981
MS Student Council	1,921	2,532	3,684	-	769
MS Magazine Sales	4,641	15,749	17,264	-	3,126
HS Activities	2,580	660	2,603	-	637
HS Athletic-Activity	173	1,280	2,776	1,400	77
Diversity Account	1,381	-	-	-	1,381
HS Drill Team	196	-	318	400	278

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance End of Year	Revenues	Expendi- tures		Balance End of Year
Annual	5,998	6,767	7,074	-	5,691
Art Activities	-	138	-	-	138
Cheerleaders	-	1,155	3,674	3,000	481
ALM Club	1,631	1,508	1,693	-	1,446
HS Class Activity	786	-	-	-	786
Class of 2009	43	-	30	-	13
Class of 2010	217	-	-	-	217
HS Concessions	18,622	43,287	33,075	(8,521)	20,313
Drama Club	463	4,175	4,234	-	404
Environmental Science	1,656	-	-	-	1,656
FFA Club	10,140	22,778	20,784	-	12,134
FCCLA Club	22	-	-	-	22
National Honor Society	-	837	888	151	100
National Art Honor Society	1,357	24	114	-	1,267
HS Band	21,683	2,386	1,781	1,000	23,288
Harding Street	-	981	883	-	98
Musical	6,030	1,937	2,683	-	5,284
HS Vocal	1,412	552	546	-	1,418
Music Dept Cards	647	-	-	-	647
HS PE Club	25	-	-	-	25
Plays	2,962	1,887	1,070	-	3,779
Pop, HS Student	4,163	7,270	3,089	-	8,344
Soda Club	105	-	-	-	105
Speech Club	362	1,134	2,841	2,000	655
HS Student Council	2,136	7,551	6,881	-	2,806
HS Vending	2,172	5,610	4,692	(2,090)	1,000
HS Prom Account	443	3,552	3,032	-	963
Blue Crew	643	176	416	-	403
Pride Club	315	368	478	-	205
HS Color Guard	24	400	-	-	424
Athletic Tickets	3,340	3,938	38	(5,740)	1,500
HS Gamers Club	228	399	249	-	378
Total	\$ 179,736	267,165	239,233	-	207,668

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 JUNE 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 18,602	47,233	37,469	28,366
Due from other groups	147	-	147	-
Total assets	\$ 18,749	47,233	37,616	28,366
Liabilities				
Accounts payable	\$ 252	-	252	-
Due to other groups	18,497	47,233	37,364	28,366
Total liabilities	\$ 18,749	47,233	37,616	28,366

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 5,677,166	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	277,037	281,192	182,651	168,851	171,241	139,472	152,363	132,301	126,783
Other	571,519	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	9,733,087	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	1,121,588	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	\$ 17,380,397	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	\$ 6,769,437	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	2,645,847	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	1,707,086	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	514,215	497,984	550,398	291,971	285,627	218,513	287,237	230,147	307,912
Instructional staff	720,532	930,300	857,963	502,609	352,132	299,096	356,873	197,301	184,627
Administration	1,968,865	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	1,245,110	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	802,495	1,019,949	678,849	732,906	584,335	574,556	644,149	465,085	491,554
Central services	-	-	-	-	-	-	-	-	7,533
Non-instructional programs	344	-	-	-	-	-	-	-	-
Capital outlay	564,597	414,538	531,359	324,846	281,796	1,260,095	8,222,543	687,194	75,135
Long-term debt:									
Principal	405,000	390,000	375,000	360,000	345,000	330,000	315,000	-	-
Interest	275,405	291,836	307,936	322,893	335,380	345,355	354,317	148,869	-
Other expenditures:									
AEA flowthrough	628,985	689,460	690,681	601,832	577,648	528,031	512,470	499,369	472,195
Total	\$ 18,247,918	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, 2012

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF THE INTERIOR:			
INDIAN EDUCATION - ASSISTANCE TO SCHOOLS	15.130	FY 12	\$ 47,398
U.S. DEPARTMENT OF EDUCATION:			
IMPACT AID	84.041	FY 12	234,108
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 12	84,120
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	379,052 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 12	11,415
			<u>474,587</u>
TEAM NUTRITION GRANTS	10.574	FY 12	578
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 12	288,483
TITLE I SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 12	8,519
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.389	FY 12	20,938
			<u>317,940</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 12	64,588
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 12	7,446
EDUCATION JOB FUNDS	84.410	FY 11	315,513
EDUCATION JOB FUNDS	84.410	FY 12	4,670
			<u>320,183</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 12	78,233
CAREER AND TECHNICAL - BASIC GRANTS TO STATES	84.048	FY 12	18,351
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 12	1,588
TOTAL			<u>\$ 1,565,000</u>

* -Includes \$43,793 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)

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Telephone (641) 792-1910

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

To the Board of Education of
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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 4, 2013. 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

The management of South Tama County Community School District is responsible for establishing and maintaining effective 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-12 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-12 and II-C-12 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, 2012 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.

January 4, 2013

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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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, 2012. 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, 2012.

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-12 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.

January 4, 2013

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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 disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Individual:
 - CFDA Number 84.041 - Impact Aid
 - CFDA Number 84.410 - Education Job Funds
 - Clustered:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.010 - Title I (SINA - Schools in Need of Assistance)
 - CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies
- (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, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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. In the Nutrition Fund and Student Activity Fund, 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.

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 continues to review procedures and practices in place, and makes adjustments where possible.

Conclusion - Response accepted.

II-B-12 Student Activity Fund - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated at least once during the year. We also noted the Student Activity Fund has a class of 2009 and 2010 accounts.

Recommendation - Interest earned each year should be allocated at least once during the fiscal year to the individual activity fund accounts that earned the interest. Upon graduation, the remaining balance in graduated class accounts should be redistributed to other individual activity fund accounts with board approval, used as startup funds for the next incoming class or used for purposes outlined by class officers before graduating.

Response - The District will allocate the \$8.37 interest to an activity account, and will re-allocate the \$230.47 Class of 2009 and Class of 2010 to Classes of 2012-2014.

Conclusion - Response accepted.

II-C-12 Pre-Numbered Receipts - We noted during our audit that district staff who are responsible for Nutrition Fund cash collections are not using pre-numbered receipt books.

Recommendation - The District should institute the use of pre-numbered receipt books to achieve better internal control over cash collections. Additionally, the use of pre-numbered receipt books allows the person responsible for bank reconciliations to be able to reconcile cash collected to the amount that was deposited in the bank. The numerical sequence of receipts should be accounted for in the reconciliation process. Any void receipts should be turned into the Central office with an explanation why the receipt was voided.

Response - The District began using pre-numbered receipts for Nutrition Fund collections in June, 2012.

Conclusion - Response accepted.

II-D-12 Agency Fund - We noted during our audit that the District's FFA held a fruit fundraiser. Through advertising in the local newspaper, the FFA made known that proceeds from the fundraiser were for support of the FFA as well as a scholarship award for an FFA student. Once the proceeds of the fundraiser were collected, the District receipted and expended the amount of the scholarship award from the High School Principal account in the Agency Fund. Since the District's FFA fundraised for these purposes, the District is the owner of the proceeds from the fundraiser.

Recommendation - According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. The District acts as a custodian of the assets and not an owner. Moneys owned by the District would not be accounted for in the Agency Fund". Therefore, it is inappropriate to account for the scholarship award in the District's Agency Fund.

The District should review procedures in place for receipting and expending scholarship awards. In the future, it would be most appropriate for the District to receipt and expend all scholarship awards from the District's Private Purpose Trust Fund.

Response - In the future, if scholarships are paid, the District will receipt and expend the scholarship from the Private Purpose Trust Fund.

Conclusion - Response accepted.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.041: Impact Aid
Federal Award Year: 2012
U.S. Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.010: Title I Schools in Need of Assistance (SINA)
CFDA Number 84.389: ARRA - Title I Grants to Local Educational Agencies
Federal Award Year: 2012
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Job Funds
Federal Award Year: 2011 and 2012
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-12 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. In the Nutrition Fund and Student Activity Fund, 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.

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 continues to review procedures and practices in place, and makes adjustments where possible.

Conclusion - Response accepted.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED JUNE 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the amended certified budget amounts in the instruction, support services and non-instructional functional areas.

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

Response - The District will amend its published budget in the future if necessary.

Conclusion - Response accepted.

IV-B-12 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-12 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-12 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 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 1.76 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-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-12 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, 2012, 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 2012 audit.

Beginning balance		\$	1,444,909
Revenues/transfers in:			
Sales tax revenues	\$	1,143,755	
Other local revenue		22,000	1,165,755
			<u>2,610,664</u>
Expenditures/transfers out:			
Equipment	\$	384,425	
Other		272,264	
Transfers to other funds:			
Debt service fund		340,478	997,167
			<u>997,167</u>
Ending balance		\$	<u>1,613,497</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.12773	\$ 340,478

IV-M-12 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 - All banks utilized by the District now provide images of the front and back sides of all cashed checks.

Conclusion - Response accepted.

IV-N-12 Financial Condition - At June 30, 2012, the General Fund had a deficit unassigned fund balance of \$1,901,993. Also, the Governmental Activities had deficit unrestricted net assets of \$2,162,638.

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

Response - The District will continue to monitor these funds and work to eliminate deficit balance.

Conclusion - Response accepted.

IV-O-12 District and Regional Rents - We noted during our audit that the District receives money for the use of facilities when hosting district and regional events. The District currently receipts district and regional rents into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The District has initiated procedures to prevent this in the future.

Conclusion - Response accepted.

IV-P-12 Interfund Loans - We noted during our audit that the District has an interfund loan that was on the balance sheet in the prior year and is still on the current year balance sheets. As of June 30, 2012, the District has a loan between the General Fund and the Capital Projects: Statewide Sales, Services, and Use Tax Fund that has not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek external borrowing options to repay the interfund loans.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interfund loans.

Response - The \$6,336.84 interfund loan has been paid. Procedures have been initiated to prevent this in the future.

Conclusion - Response accepted.