

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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South Tama County Community School District

Officials

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

**South Tama Community School District**

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

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, Tama, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by managements, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**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, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 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, economic 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 assurance.

### *Supplementary Information*

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applies in the 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 basic financial statements or to the basic 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2014 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.



NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2014  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$14,961,866 in fiscal 2012 to \$15,137,858 in fiscal 2013, while General Fund expenditures decreased from \$15,691,614 in fiscal 2012 to \$14,490,368 in fiscal 2013. The District's General Fund balance increased from a deficit balance of \$1,738,875 in fiscal 2012 to a deficit \$1,091,385 in fiscal 2013, a 37.24% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax during fiscal 2013. The decrease in expenditures was due primarily to decreases in the instruction and 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 Position 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.

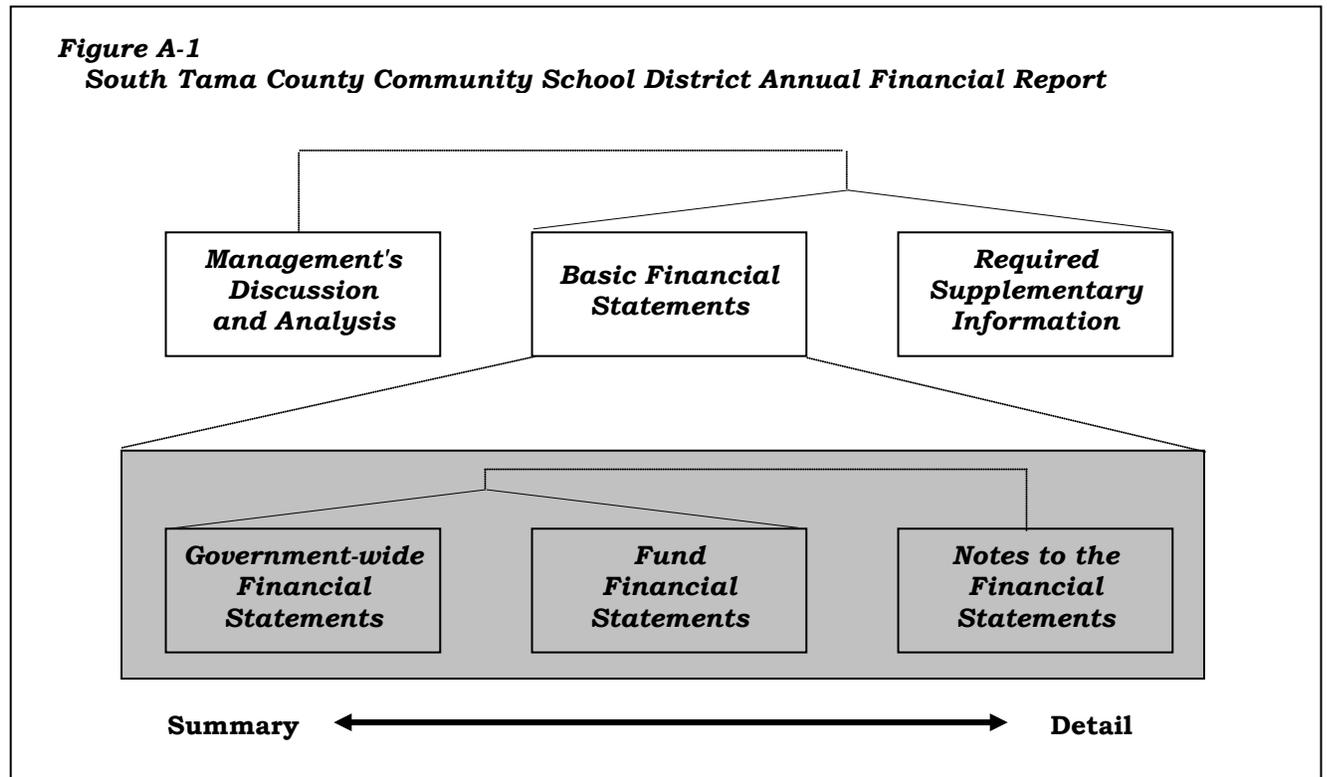


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
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

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## **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 Position 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 position and how they have changed. Net position – 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 position 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 Position 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 Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3  
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 14,876,371	13,977,452	75,588	104,831	14,951,959	14,082,283	6.18%
Capital assets	11,821,431	11,697,659	79,705	77,919	11,901,136	11,775,578	1.07%
Total assets	26,697,802	25,675,111	155,293	182,750	26,853,095	25,857,861	3.85%
Long-term obligations	12,582,449	13,355,071	1,845	2,108	12,584,294	13,357,179	-5.79%
Other liabilities	7,215,834	7,189,613	52,822	53,213	7,268,656	7,242,826	0.36%
Total liabilities	19,798,283	20,544,684	54,667	55,321	19,852,950	20,600,005	-3.63%
Net position:							
Invested in capital assets, net of related debt	5,593,978	5,132,696	79,705	77,919	5,673,683	5,210,615	8.89%
Restricted	2,216,163	2,160,369	-	-	2,216,163	2,160,369	2.58%
Unrestricted	(910,622)	(2,162,638)	20,921	49,510	(889,701)	(2,113,128)	57.90%
Total net position	\$ 6,899,519	5,130,427	100,626	127,429	7,000,145	5,257,856	33.14%

The District's combined net position increased by 33.14%, or \$1,742,289 over the prior year. The largest portion of the District's net position 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 position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$55,794, or 2.58% over the prior year. This increase was primarily due to an increase in the Management Fund compared to the previous year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,223,427, or 57.90%. This increase is mainly due to the increase in the General Fund net position.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4  
Changes of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2012-13
	2013	2012	2013	2012	2013	2012	
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 490,015	671,625	224,414	248,688	714,429	920,313	-22.37%
Operating grants, contributions and restricted interest	1,673,109	1,706,231	487,169	482,048	2,160,278	2,188,279	-1.28%
Capital grants, contributions and restricted interest	177,361	22,000	-	888	177,361	22,888	674.91%
General revenues:							
Property tax	4,989,552	4,187,979	-	-	4,989,552	4,187,979	19.14%
Income surtax	702,963	334,725	-	-	702,963	334,725	110.01%
Statewide sales, services and use tax	1,227,529	1,143,755	-	-	1,227,529	1,143,755	7.32%
Unrestricted state grants	8,667,498	8,839,430	-	-	8,667,498	8,839,430	-1.95%
Nonspecific federal grants	-	320,183	-	-	-	320,183	-100.00%
Unrestricted interest earnings	36,333	15,809	607	662	36,940	16,471	124.27%
Other	137,883	127,953	-	-	137,883	127,953	7.76%
Transfers	(14,562)	-	14,562	-	-	-	0.00%
Total revenues & transfers	18,087,681	17,369,690	726,752	732,286	18,814,433	18,101,976	3.94%
Program expenses:							
Governmental activities:							
Instruction	9,926,802	10,645,125	-	-	9,926,802	10,645,125	-6.75%
Support services	5,117,356	5,626,568	424	2,608	5,117,780	5,629,176	-9.08%
Non-instructional programs	35	344	753,131	745,389	753,166	745,733	1.00%
Other expenses	1,274,396	1,210,084	-	-	1,274,396	1,210,084	5.31%
Total expenses	16,318,589	17,482,121	753,555	747,997	17,072,144	18,230,118	-6.35%
Change in net position	1,769,092	(112,431)	(26,803)	(15,711)	1,742,289	(128,142)	-1459.65%
Net position beginning of year	5,130,427	5,242,858	127,429	143,140	5,257,856	5,385,998	-2.38%
Net position end of year	\$ 6,899,519	5,130,427	100,626	127,429	7,000,145	5,257,856	33.14%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 82.85% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 97.91% of the revenue from business type activities.

The District's total revenues were approximately \$18.82 million of which approximately \$18.10 million was for governmental activities and approximately \$0.72 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.94% increase in revenues and a 6.35% decrease in expenses. The increase in revenues is related to increases in local and state aid during 2013. The decrease in expenditures is related to a decrease in the instruction and support service functional areas.

### Governmental Activities

Revenues for governmental activities were \$18,087,681 and expenses were \$16,318,589.

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, 2013 compared to the year ended June 30, 2012.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 9,926,802	10,645,125	-6.75%	8,372,761	8,931,780	-6.26%
Support services	5,117,356	5,626,568	-9.05%	4,937,632	5,569,042	-11.34%
Non-instructional	35	344	-89.83%	35	344	-89.83%
Other expenses	1,274,396	1,210,084	5.31%	667,676	581,099	-14.90%
Totals	\$ 16,318,589	17,482,121	-6.66%	13,978,104	15,082,265	-7.32%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$490,015.
- Federal and state governments subsidized certain programs with operating grants and contributions totaling \$1,850,470.
- The net cost of governmental activities was financed with \$4,989,552 in property tax, \$702,963 in income surtax, \$1,227,529 in statewide sales, services and use tax, \$8,667,498 in unrestricted state grants, \$36,333 in interest income and other general revenues of \$137,883.

### Business type Activities

Revenues of the District's business type activities were \$726,752 and expenses were \$753,555. 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, investment income and contributed capital from the Capital Projects: Physical Plant and Equipment Levy.

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## **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 \$6,711,245, compared to last year's ending fund balances of \$6,083,529. The increase in overall fund balance is mainly due to the increase in the General Fund balance.

### **Governmental Fund Highlights**

- The General Fund balance increased from a deficit \$1,738,875 in fiscal 2012 to deficit \$1,091,385 in fiscal 2013. Local tax revenues increased by \$838,210 during fiscal 2013. Expenditures in the instruction and support services functional areas also decreased during the year. The increase in revenues combined with the decrease in expenditures ensured an increase in the fund balance.
- The Capital Projects accounts balance increased from \$1,791,057 in fiscal 2012 to \$1,813,474 in fiscal 2013. Revenues increased from \$1,696,603 in fiscal 2012 to \$1,814,253 in fiscal 2013, due to an increase in federal source revenue. Expenditures increased from \$1,493,102 in fiscal 2012 to \$1,791,836 in fiscal 2013. The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was more in the current year for the General Obligation Bond debt payments.
- The Debt Service Fund balance decreased from \$5,811,959 in fiscal 2012 to \$5,722,268 in fiscal 2013. This decrease was primarily due to the increase in payments towards the District's General Obligation Bond indebtedness.

### **Proprietary Fund Highlights**

The Proprietary Fund net position decreased from \$127,429 at June 30, 2012 to \$100,626 at June 30, 2013, representing a decrease of 21.03%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, South Tama County Community School district amended its budget one time to reflect additional expenditures in the instructional, non-instructional and other expenditures functional areas to account for additional expenditures relating to reclassification of salary expenses, increased food costs and to account for construction projects and for the District's scheduled debt repayments.

The District's revenues were \$217,390 more than budgeted revenues, a variance of 1.19%. 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 non-instructional programs expenditures functional area.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$11,901,136, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.07% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$580,140.

The original cost of the District's capital assets was \$19,060,657. Governmental funds account for \$18,793,315 with the remainder of \$267,342 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements totaled \$125,087 reported at June 30, 2012, compared to \$238,414 at June 30, 2013. This increase resulted from the various projects including asphalt resurfacing of the High School parking lot and tuckpointing on the High School building.

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,	June 30,	June 30,	2012-13
	2013	2012	2013	2012	2013	2012	
Land	\$ 314,400	314,400	-	-	314,400	314,400	0.00%
Buildings	10,549,070	10,425,554	-	-	10,549,070	10,425,554	1.18%
Improvements other than buildings	238,414	125,087	-	-	238,414	125,087	90.60%
Machinery and equipment	719,547	832,618	79,705	77,919	799,252	910,537	-12.22%
Total	\$ 11,821,431	11,697,659	79,705	77,919	11,901,136	11,775,578	1.07%

### Long-Term Debt

At June 30, 2013, the District had \$12,584,294 in general obligation and other long-term debt outstanding. This represents a decrease of 5.79% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

- The District had outstanding general obligation bonds of \$11,930,000 at June 30, 2013.
- The District had compensated absences at June 30, 2013 of \$23,759.
- The District had total outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$630,535 at June 30, 2013.

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,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 11,930,000	12,355,000	-	-	11,930,000	12,355,000	-3.44%
Compensated absences	21,914	44,503	1,845	2,108	23,759	46,611	-49.03%
Termination benefits	630,535	955,568	-	-	630,535	955,568	-34.01%
Total	\$ 12,582,449	13,355,071	1,845	2,108	12,584,294	13,357,179	-5.79%

## **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 District has reduced hours for some support staff for fiscal year 2014 because of the Affordable Care Act, the reduction in hours should help improve the District's fund balance.
- On July 1, 2013, the IPERS increased to 8.93%, this will increase the South Tama County Community Schools employer benefit costs during fiscal 2014.

## **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 Mary Boege, Business Manager, South Tama County Community School District, 1702 Harding St., Tama, Iowa, 52339.

BASIC FINANCIAL STATEMENTS

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments:			
U.S. Treasury Securities on deposit with escrow agent	\$ 5,702,547	-	5,702,547
Other	1,928,083	52,888	1,980,971
Receivables:			
Property tax:			
Delinquent	82,689	-	82,689
Succeeding year	5,244,129	-	5,244,129
Income surtax	686,975	-	686,975
Accounts	8,961	930	9,891
Due from other governments	897,659	7,064	904,723
Inventories	-	14,706	14,706
Prepaid expenses	4,780	-	4,780
Net OPEB asset	320,548	-	320,548
Capital assets, net of accumulated depreciation	11,821,431	79,705	11,901,136
<b>Total assets</b>	<b>26,697,802</b>	<b>155,293</b>	<b>26,853,095</b>
<b>Liabilities</b>			
Accounts payable	398,838	2,667	401,505
Salaries and benefits payable	1,511,383	39,559	1,550,942
Interest payable	58,231	-	58,231
Deferred revenue:			
Succeeding year property tax	5,244,129	-	5,244,129
Other	3,253	-	3,253
Unearned revenue	-	10,596	10,596
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	6,055,000	-	6,055,000
Compensated absences	21,914	1,845	23,759
Termination benefits payable	305,266	-	305,266
Portion due after one year:			
General obligation bonds payable	5,875,000	-	5,875,000
Termination benefits payable	325,269	-	325,269
<b>Total liabilities</b>	<b>19,798,283</b>	<b>54,667</b>	<b>19,852,950</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	5,593,978	79,705	5,673,683
Restricted for:			
Categorical funding	232,523	-	232,523
Student activities	174,946	-	174,946
School infrastructure	1,680,214	-	1,680,214
Physical plant and equipment	128,480	-	128,480
Unrestricted	(910,622)	20,921	(889,701)
<b>Total net position</b>	<b>\$ 6,899,519</b>	<b>100,626</b>	<b>7,000,145</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 5,462,990	142,939	308,230	-	(5,011,821)	-	(5,011,821)
Special	2,564,565	88,725	133,109	-	(2,342,731)	-	(2,342,731)
Other	1,899,247	257,070	623,968	-	(1,018,209)	-	(1,018,209)
	<u>9,926,802</u>	<u>488,734</u>	<u>1,065,307</u>	<u>-</u>	<u>(8,372,761)</u>	<u>-</u>	<u>(8,372,761)</u>
Support services:							
Student	513,021	-	-	-	(513,021)	-	(513,021)
Instructional staff	635,120	-	-	-	(635,120)	-	(635,120)
Administration	1,911,718	-	-	-	(1,911,718)	-	(1,911,718)
Operation and maintenance of plant	1,406,007	-	-	177,361	(1,228,646)	-	(1,228,646)
Transportation	651,490	1,281	1,082	-	(649,127)	-	(649,127)
	<u>5,117,356</u>	<u>1,281</u>	<u>1,082</u>	<u>177,361</u>	<u>(4,937,632)</u>	<u>-</u>	<u>(4,937,632)</u>
Non-instructional programs:							
Food service operations	35	-	-	-	(35)	-	(35)
Long-term debt interest	361,156	-	-	-	(361,156)	-	(361,156)
Other expenditures:							
AEA flowthrough	606,720	-	606,720	-	-	-	-
Depreciation(unallocated)*	306,520	-	-	-	(306,520)	-	(306,520)
	<u>913,240</u>	<u>-</u>	<u>606,720</u>	<u>-</u>	<u>(306,520)</u>	<u>-</u>	<u>(306,520)</u>
Total governmental activities	16,318,589	490,015	1,673,109	177,361	(13,978,104)	-	(13,978,104)
Business type activities:							
Support services:							
Operations and minenance of plant	424	-	-	-	-	(424)	(424)
Non-instructional programs:							
Nutrition services	753,131	224,414	487,169	-	-	(41,548)	(41,548)
Total business type activities	<u>753,555</u>	<u>224,414</u>	<u>487,169</u>	<u>-</u>	<u>-</u>	<u>(41,972)</u>	<u>(41,972)</u>
Total	\$ <u>17,072,144</u>	<u>714,429</u>	<u>2,160,278</u>	<u>177,361</u>	<u>(13,978,104)</u>	<u>(41,972)</u>	<u>(14,020,076)</u>
<b>General Revenues &amp; Transfers:</b>							
General revenues:							
Property tax levied for:							
General purposes				\$ 4,942,935	-		4,942,935
Capital outlay				46,617	-		46,617
Income surtax				702,963	-		702,963
Statewide sales, services and use tax				1,227,529	-		1,227,529
Unrestricted state grants				8,667,498	-		8,667,498
Unrestricted investment earnings				36,333	607		36,940
Other				137,883	-		137,883
Transfers				(14,562)	14,562		-
Total general revenues & transfers				<u>15,747,196</u>	<u>15,169</u>		<u>15,762,365</u>
Changes in net position				1,769,092	(26,803)		1,742,289
Net position beginning of year				<u>5,130,427</u>	<u>127,429</u>		<u>5,257,856</u>
Net position end of year				<u>\$ 6,899,519</u>	<u>100,626</u>		<u>7,000,145</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, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments:					
U.S. Treasury Securities on deposit with escrow agent	\$ -	-	5,702,547	-	5,702,547
Other	413,122	1,236,661	19,721	258,579	1,928,083
Receivables:					
Property tax:					
Delinquent	73,205	773	-	8,711	82,689
Succeeding year	4,751,054	78,074	-	415,001	5,244,129
Income surtax	317,065	369,910	-	-	686,975
Accounts	5,736	-	-	3,225	8,961
Due from other governments	265,707	631,952	-	-	897,659
Prepaid expenses	-	4,780	-	-	4,780
<b>Total assets</b>	<b>\$ 5,825,889</b>	<b>2,322,150</b>	<b>5,722,268</b>	<b>685,516</b>	<b>14,555,823</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	334,519	60,692	-	3,627	398,838
Salaries and benefits payable	1,511,383	-	-	-	1,511,383
Deferred revenue:					
Succeeding year property tax	4,751,054	78,074	-	415,001	5,244,129
Income surtax	317,065	369,910	-	-	686,975
Other	3,253	-	-	-	3,253
Total liabilities	6,917,274	508,676	-	418,628	7,844,578
Fund balances:					
Nonspendable	-	4,780	-	-	4,780
Restricted for:					
Categorical funding	232,523	-	-	-	232,523
Debt service	-	-	5,722,268	-	5,722,268
Management levy purposes	-	-	-	91,942	91,942
Student activities	-	-	-	174,946	174,946
School infrastructure	-	1,680,214	-	-	1,680,214
Physical plant and equipment	-	128,480	-	-	128,480
Unassigned	(1,323,908)	-	-	-	(1,323,908)
Total fund balances	(1,091,385)	1,813,474	5,722,268	266,888	6,711,245
<b>Total liabilities and fund balances</b>	<b>\$ 5,825,889</b>	<b>2,322,150</b>	<b>5,722,268</b>	<b>685,516</b>	<b>14,555,823</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$	6,711,245
 <i>Amounts reported for governmental activities in the Statement of Net Position 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.		11,821,431
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		686,975
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.		(58,231)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		320,548
Long-term liabilities, including general obligation bonds payable, termination benefits payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(12,582,449)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>6,899,519</u></u></b>

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, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 4,417,298	1,635,566	-	525,637	6,578,501
Tuition	196,120	-	-	-	196,120
Other	172,216	21,299	18,214	276,382	488,111
Intermediate sources	480	-	-	-	480
State sources	9,527,435	27	-	300	9,527,762
Federal sources	812,365	157,361	-	-	969,726
<b>Total revenues</b>	<b>15,125,914</b>	<b>1,814,253</b>	<b>18,214</b>	<b>802,319</b>	<b>17,760,700</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	5,667,384	-	-	-	5,667,384
Special	2,520,137	-	-	-	2,520,137
Other	1,642,830	-	-	284,771	1,927,601
	9,830,351	-	-	284,771	10,115,122
Support services:					
Student	508,534	-	-	-	508,534
Instructional staff	382,571	206,816	-	-	589,387
Administration	1,573,319	-	2,200	377,555	1,953,074
Operation and maintenance of plant	1,000,265	125,928	-	86,093	1,212,286
Transportation	588,573	-	-	6,400	594,973
	4,053,262	332,744	2,200	470,048	4,858,254
Non-instructional programs:					
Community service operations	35	-	-	-	35
<b>Capital outlays</b>	<b>-</b>	<b>776,312</b>	<b>-</b>	<b>-</b>	<b>776,312</b>
Long-term debt:					
Principal	-	-	425,000	-	425,000
Interest and fiscal charges	-	-	363,485	-	363,485
	-	-	788,485	-	788,485
Other expenditures:					
AEA flowthrough	606,720	-	-	-	606,720
<b>Total expenditures</b>	<b>14,490,368</b>	<b>1,109,056</b>	<b>790,685</b>	<b>754,819</b>	<b>17,144,928</b>
Excess(Deficiency) of revenues over(under) expenditures	635,546	705,197	(772,471)	47,500	615,772
Other financing sources(uses):					
Transfer in	-	-	682,780	-	682,780
Transfer out	-	(682,780)	-	-	(682,780)
Insurance proceeds	9,199	-	-	-	9,199
Sale of equipment	2,745	-	-	-	2,745
<b>Total other financing sources(uses)</b>	<b>11,944</b>	<b>(682,780)</b>	<b>682,780</b>	<b>-</b>	<b>11,944</b>
<b>Change in fund balances</b>	<b>647,490</b>	<b>22,417</b>	<b>(89,691)</b>	<b>47,500</b>	<b>627,716</b>
Fund balances beginning of year	(1,738,875)	1,791,057	5,811,959	219,388	6,083,529
Fund balances end of year	\$ (1,091,385)	1,813,474	5,722,268	266,888	6,711,245

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, 2013

**Change in fund balances - total governmental funds(page 22)** \$ 627,716

*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 Activities 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	\$ 691,136	
Depreciation expense	<u>(567,364)</u>	123,772

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		341,543
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Repayment of long-term liabilities is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.		425,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		2,329
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Other postemployment benefit assets are not available to finance expenditures of the current year period in the governmental funds.		(98,890)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Termination benefits	\$ 325,033	
Compensated absences	<u>22,589</u>	<u>347,622</u>

<b>Change in net position of governmental activities(page 19)</b>		<u><u>\$ 1,769,092</u></u>
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SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

		School Nutrition
<b>Assets</b>		
Cash and pooled investments	\$	52,888
Accounts receivable		930
Due from other governments		7,064
Inventories		14,706
Capital assets, net of accumulated depreciation		79,705
<b>Total assets</b>		<b>155,293</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable		2,667
Salaries and benefits payable		39,559
Unearned revenue		10,596
Compensated absences		1,845
<b>Total liabilities</b>		<b>54,667</b>
<b>Net position</b>		
Invested in capital assets		79,705
Unrestricted		20,921
<b>Total net position</b>	\$	<b>100,626</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 224,414
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	424
Non-instructional programs:	
Food service operations:	
Salaries	296,956
Benefits	49,084
Services	6,223
Supplies	388,092
Depreciation	12,776
	753,131
Total operating expenses	753,555
Operating loss	(529,141)
Non-operating revenues:	
State sources	6,233
Federal sources	480,936
Interest income	607
Total non-operating revenues	487,776
Change in net position before other financing sources	(41,365)
Other financing sources:	
Capital contributions	14,562
Change in net position	(26,803)
Net position beginning of year	127,429
Net position end of year	\$ 100,626

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 225,035
Cash payments to employees for services	(350,356)
Cash payments to suppliers for goods or services	(350,455)
Net cash used in operating activities	(475,776)
Cash flows from non-capital financing activities:	
State grants received	6,233
Federal grants received	443,760
Net cash provided by non-capital financing activities:	449,993
Cash flows from investing activities:	
Interest on investments	607
Net decrease in cash and cash equivalents	(25,176)
Cash and cash equivalents at beginning of year	78,064
Cash and cash equivalents at end of year	\$ 52,888
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (529,141)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	41,613
Depreciation	12,776
Decrease in inventories	4
Increase in accounts receivable	(374)
Increase in accounts payable	2,667
Decrease in salaries and benefits payable	(4,053)
Increase in unearned revenue	995
Decrease in compensated absences	(263)
Net cash used in operating activities	\$ (475,776)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received Federal commodities valued at \$41,613.

During the year ended June 30, 2013, the Nutrition Fund received \$14,562 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, 2013

	Private Purpose Trust	Agency
	Scholarship	
<b>Assets</b>		
Cash and pooled investments	\$ 12,574	32,459
<b>Total assets</b>	12,574	32,459
<b>Liabilities</b>		
Due to other groups	-	32,459
<b>Total liabilities</b>	-	32,459
<b>Net position</b>		
Restricted for scholarhips	\$ 12,574	-
	12,574	-

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	<u>\$ 2,500</u>
Deductions:	<u>-</u>
Change in net position	2,500
Net position beginning of year	<u>10,074</u>
Net position end of year	<u>\$ 12,574</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

(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 Position (previously referred as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 reports the following nonmajor proprietary fund:

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

The District also reports fiduciary funds which focus on net position and changes in net position. 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 position 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.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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 Position 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 Position 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, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the liability attributable to the business type activities will be paid by the Nutrition Fund.

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

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

Nonspendable - Amount that cannot be spent either because the underlying resources are not in spendable form or because they are legally or contractually required to be maintained intact.

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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, 2013, expenditures exceeded the amounts budgeted in the non-instructional programs functional area.

**(2) Cash and Pooled Investments**

The District’s deposits at June 30, 2013 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.

Securities are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. At June 30, 2013, the District had investments in U.S. Treasury Securities of \$5,702,547.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services and Use Tax	<u>\$ 682,780</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District’s general obligation bond indebtedness.

**(4) 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 25<sup>th</sup> 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 2012-2013 ONE included taxable warrants only. The interest rates on the Series 2012-2013 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. The LIBOR rate at June 30, 2013 was 0.1932%. A summary of the District’s ISCAP activity for the year ended June 30, 2013 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2012-13 ONE	6/27/2012	12/1/2012	-	2,000,000	2,000,000	-

During the year ended June 30, 2013, the District paid \$11,937 of interest on the ISCAP warrants.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 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	412,535	-	14,112,713
Improvements other than buildings	278,149	130,826	-	408,975
Machinery and equipment	3,874,363	147,775	64,911	3,957,227
Total capital assets being depreciated	<u>17,852,690</u>	<u>691,136</u>	<u>64,911</u>	<u>18,478,915</u>
Less accumulated depreciation for:				
Buildings	3,274,624	289,019	-	3,563,643
Improvements other than buildings	153,062	17,499	-	170,561
Machinery and equipment	3,041,745	260,846	64,911	3,237,680
Total accumulated depreciation	<u>6,469,431</u>	<u>567,364</u>	<u>64,911</u>	<u>6,971,884</u>
Total capital assets being depreciated, net	<u>11,383,259</u>	<u>123,772</u>	<u>-</u>	<u>11,507,031</u>
Governmental activities capital assets, net	<u>\$ 11,697,659</u>	<u>123,772</u>	<u>-</u>	<u>11,821,431</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 252,780	14,562	-	267,342
Less accumulated depreciation	174,861	12,776	-	187,637
Business type activities capital assets, net	<u>\$ 77,919</u>	<u>1,786</u>	<u>-</u>	<u>79,705</u>

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 36,587
Other			4,552
Support services:			
Instructional staff			31,407
Operation and maintenance of plant			21,176
Transportation			167,122
			<u>260,844</u>
Unallocated depreciation			<u>306,520</u>
Total governmental activities depreciation expense			<u>\$ 567,364</u>
Business type activities:			
Food services			<u>\$ 12,776</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 12,355,000	-	425,000	11,930,000	6,055,000
Compensated absences	44,503	21,914	44,503	21,914	21,914
Termination benefits	955,568	-	325,033	630,535	305,266
Total	\$ 13,355,071	21,914	794,536	12,582,449	6,382,180
Business type Activities:					
Compensated absences	\$ 2,108	1,845	2,108	1,845	1,845

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 with interest rates between 2.90-4.35%. The District entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. Treasury 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
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	3.85-4.00	520,000	168,745	688,745	1.40-1.50	570,000	87,448	657,448	1,090,000	256,193	1,346,193
2019-2023	4.00-4.30	2,975,000	502,959	3,477,959	1.40-2.55	2,995,000	277,764	3,272,764	5,970,000	780,723	6,750,723
2024	4.30-4.35	680,000	22,100	702,100	2.60-2.70	645,000	12,935	657,935	1,325,000	35,035	1,360,035
Total		\$ 6,055,000	1,550,263	7,605,263		\$ 5,875,000	783,836	6,658,836	11,930,000	2,334,099	14,264,099

Termination Benefits

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, 2013, totaled \$325,033. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund retirement incentive.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$803,470, \$784,032 and \$673,803, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer employee health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 208 active and 15 retired members in the plan. Retired participants must be age 55 or older at retirement and have ten or more years of service to the District.

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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	160,099
Interest on net OPEB obligation		(18,875)
Adjustment to annual required contribution		16,738
Annual OPEB cost (expense)		<u>157,962</u>
Contributions made		<u>(59,072)</u>
Increase in net OPEB obligation		98,890
Net OPEB obligation - beginning of year		<u>(419,438)</u>
Net OPEB obligation - end of year	\$	<u><u>(320,548)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2013.

For fiscal year 2013, the District contributed \$59,072 to the medical plan. Plan members receiving benefits contributed \$0, or 0% 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 282,036	173.0%	\$ (214,000)
2012	280,562	173.2%	(419,438)
2013	157,962	37.4%	(320,548)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1.614 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.614 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7.502 million, and the ratio of the UAAL to the covered payroll was 21.5%. As of June 30, 2013, 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, 2012 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 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5% 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, 2011 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$686 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.

**(9) 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.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$606,720 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Operating Lease Commitment**

The District entered into a five year contract to lease copiers and printers from Premier Office Equipment on March 7, 2011. The District's annual payment for this lease is \$82,416.

**(12) Budget Overexpenditure**

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the non-instructional programs functional area exceeded the certified budget.

**(13) Deficit Fund Balance/Net Position**

The District had a deficit unassigned fund balance in the General Fund of \$1,323,908. The District also had deficit unrestricted net position in Governmental Activities of \$910,622.

**(14) Categorical Funding**

The District's ending restricted balance for categorical funding at June 30, 2013 is comprised of the following programs:

Project	Amount
Gifted and talented	\$ 54,030
At-Risk supplemental weighting	4,067
Teacher salary supplement	51,015
Beginning administrator mentoring	1,500
4-year-old preschool state aid	26,174
Non-public transportation	974
State decategorization grant	17,360
Juvenile delinquency grant	17,496
Professional development	59,907
Total	<u>\$ 232,523</u>

**(15) Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position is as follows:

	<u>Invested in Capital Assets</u>	<u>Management Levy</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	91,942	5,722,268	(1,323,908)
Invested in capital assets, net of accumulated depreciation	11,821,431	-	-	-
General obligation bond capitalized indebtedness	(11,930,000)	-	-	-
Advanced refunding escrow	5,702,547	-	(5,702,547)	-
Income Surtax	-	-	-	686,975
Termination benefits	-	(91,942)	-	(538,593)
Compensated absences	-	-	-	(21,914)
Accrued interest payable	-	-	(19,721)	(38,510)
Net OPEB asset	-	-	-	320,548
Nonspendable fund balance	-	-	-	4,780
Net position (Exhibit A)	<u>\$ 5,593,978</u>	<u>-</u>	<u>-</u>	<u>(910,622)</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, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,262,732	225,021	7,487,753	7,365,770	7,365,770	121,983
Intermediate sources	480	-	480	-	-	480
State sources	9,527,762	6,233	9,533,995	9,629,230	9,629,230	(95,235)
Federal sources	969,726	480,936	1,450,662	1,260,500	1,260,500	190,162
Total revenues	17,760,700	712,190	18,472,890	18,255,500	18,255,500	217,390
Expenditures/Expenses:						
Instruction	10,115,122	-	10,115,122	10,387,609	10,950,875	835,753
Support services	4,858,254	424	4,858,678	5,246,266	5,246,266	387,588
Non-instructional programs	35	753,131	753,166	700,000	750,000	(3,166)
Other expenditures	2,171,517	-	2,171,517	1,040,430	2,250,500	78,983
Total expenditures/expenses	17,144,928	753,555	17,898,483	17,374,305	19,197,641	1,299,158
Excess(Deficiency) of revenues over(under) expenditures/expenses	615,772	(41,365)	574,407	881,195	(942,141)	1,516,548
Other financing sources, net	11,944	14,562	26,506	1,000	1,000	25,506
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing sources	627,716	(26,803)	600,913	882,195	(941,141)	1,542,054
Balance beginning of year	6,083,529	127,429	6,210,958	1,027,532	1,027,532	5,183,426
Balance end of year	\$ 6,711,245	100,626	6,811,871	1,909,727	86,391	6,725,480

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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, 2013, the District adopted one budget amendment increasing budgeted expenditures by \$1,823,336.

During the year ended June 30, 2013, expenditures in the non-instructional programs functional area exceeded the certified budget.

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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 2,312,000	\$ 2,312,000	0.0%	\$ 9,045,000	25.6%
2010	July 1, 2008	-	2,312,000	2,312,000	0.0%	9,883,197	23.4%
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%	9,647,084	33.3%
2013	July 1, 2012	-	1,613,642	1,613,642	0.0%	7,502,395	21.5%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 83,401	175,178	258,579
Receivables:			
Property tax:			
Delinquent	8,711	-	8,711
Succeeding year	415,001	-	415,001
Accounts	-	3,225	3,225
<b>Total assets</b>	<b>\$ 507,113</b>	<b>178,403</b>	<b>685,516</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 170	3,457	3,627
Deferred revenue:			
Succeeding year property tax	415,001	-	415,001
Total liabilities	415,171	3,457	418,628
Fund balances:			
Restricted for:			
Management levy purposes	91,942	-	91,942
Student activities	-	174,946	174,946
Total fund balances	91,942	174,946	266,888
<b>Total liabilities and fund balances</b>	<b>\$ 507,113</b>	<b>178,403</b>	<b>685,516</b>

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, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 525,637	-	525,637
Other	24,333	252,049	276,382
State sources	300	-	300
Total revenues	550,270	252,049	802,319
Expenditures:			
Current:			
Instruction:			
Other	-	284,771	284,771
Support services:			
Administration	377,555	-	377,555
Operation and maintenance of plant	86,093	-	86,093
Transportation	6,400	-	6,400
Total expenditures	470,048	284,771	754,819
Change in fund balances	80,222	(32,722)	47,500
Fund balances beginning of year	11,720	207,668	219,388
Fund balances end of year	\$ 91,942	174,946	266,888

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,049,316	187,345	1,236,661
Receivables:			
Property tax:			
Delinquent	-	773	773
Succeeding year	-	78,074	78,074
Income surtax	-	369,910	369,910
Due from other governments	631,952	-	631,952
Prepaid expenses	-	4,780	4,780
<b>Total assets</b>	<b>\$ 1,681,268</b>	<b>640,882</b>	<b>2,322,150</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 1,054	59,638	60,692
Deferred revenue:			
Succeeding year property tax	-	78,074	78,074
Income surtax	-	369,910	369,910
Total liabilities	1,054	507,622	508,676
Fund balances:			
Nonspendable	-	4,780	4,780
Restricted for:			
School infrastructure	1,680,214	-	1,680,214
Physical plant and equipment	-	128,480	128,480
Total fund balances	1,680,214	133,260	1,813,474
<b>Total liabilities and fund balances</b>	<b>\$ 1,681,268</b>	<b>640,882</b>	<b>2,322,150</b>

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, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,227,529	408,037	1,635,566
Other	-	21,299	21,299
State sources	-	27	27
Federal sources	157,361	-	157,361
Total revenues	1,384,890	429,363	1,814,253
Expenditures:			
Current:			
Support services:			
Instructional staff	81,395	125,421	206,816
Operation and maintenance of plant	-	125,928	125,928
Capital outlays	553,998	222,314	776,312
Total expenditures	635,393	473,663	1,109,056
Excess(Deficiency) of revenues over(under) expenditures	749,497	(44,300)	705,197
Other financing uses:			
Transfer out	(682,780)	-	(682,780)
Change in fund balances	66,717	(44,300)	22,417
Fund balances beginning of year	1,613,497	177,560	1,791,057
Fund balances end of year	\$ 1,680,214	133,260	1,813,474

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, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Change	Balance End of Year
Interest	\$ 8	-	-	(8)	-
District Registration	17,427	6,525	-	(23,952)	-
Cross Country	980	1,046	4,017	2,991	1,000
Boys Basketball	9,348	5,417	7,795	-	6,970
Basketball fundraising	196	-	-	-	196
Football	11,656	36,401	32,718	-	15,339
Football fundraising	60	-	-	-	60
Special Fundraising	66	-	-	-	66
Boys Soccer	1,262	1,767	3,865	1,836	1,000
Girls Soccer	557	1,848	4,866	3,461	1,000
Baseball	3,223	2,800	7,607	2,584	1,000
Boys Golf	527	138	1,515	1,850	1,000
Girls Golf	842	318	1,325	1,165	1,000
Wrestling	2,133	9,497	7,342	-	4,288
Girls Basketball	11,547	6,733	3,567	-	14,713
Volleyball	12,412	10,846	6,417	-	16,841
Softball	4,544	3,126	3,641	-	4,029
Boys Track	1,537	365	4,178	3,206	930
Girls Track	2,151	160	5,739	4,428	1,000
Boys Tennis	361	-	1,011	1,650	1,000
Girls Tennis	607	1,345	1,538	-	414
Elementary Activity	2,825	289	1,656	-	1,458
Elementary Assembly	737	-	-	-	737
Elementary Red Ribbon	190	-	-	-	190
Elementary Book Fair	2,399	5,730	5,680	-	2,449
MS Activities	1,408	1,903	1,054	-	2,257
MS Assembly	4,892	-	-	-	4,892
MS Athletics	-	150	13,064	14,414	1,500
MS Concessions	8,831	18,223	7,610	(11,858)	7,586
MS Band	1,703	200	475	275	1,703
MS Vocal	981	-	-	-	981
MS Student Council	769	2,288	2,454	-	603
MS Magazine Sales	3,126	9	2,234	-	901
HS Activities	637	113	11,806	12,273	1,217
HS Athletic-Activity	77	7,320	851	(6,546)	-
All 4 One Club	-	678	403	-	275
Diversity Account	1,381	-	-	-	1,381
HS Drill Team	278	-	51	-	227

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance End of Year	Revenues	Expendi- tures	Interfund Change	Balance End of Year
Annual	5,691	6,445	6,620	-	5,516
Art Activities	138	-	-	-	138
Cheerleaders	481	1,756	1,755	-	482
ALM Club	1,446	724	721	-	1,449
HS Class Activity	786	-	-	-	786
Class of 2009	13	-	-	14	27
Class of 2010	217	-	-	217	434
HS Concessions	20,313	51,727	45,857	(5,017)	21,166
Drama Club	404	4,353	3,669	-	1,088
Environmental Science	1,656	-	-	-	1,656
FFA Club	12,134	20,184	20,773	-	11,545
FCCLA Club	22	-	-	-	22
National Honor Society	100	528	1,137	1,509	1,000
National Art Honor Society	1,267	-	-	-	1,267
HS Band	23,288	3,160	26,465	17	-
Harding Street	98	1,061	1,281	122	-
Musical	5,284	3,516	4,046	-	4,754
HS Vocal	1,418	24	403	-	1,039
Music Dept Cards	647	-	-	-	647
HS PE Club	25	25	-	-	50
Plays	3,779	1,188	2,666	-	2,301
Pop, HS Student	8,344	7,178	3,021	-	12,501
Soda Club	105	-	-	-	105
Speech Club	655	2,794	4,499	2,050	1,000
HS Student Council	2,806	6,819	8,414	-	1,211
HS Vending	1,000	6,041	4,934	-	2,107
HS Prom Account	963	3,682	3,592	-	1,053
Blue Crew	403	74	24	-	453
Pride Club	205	-	-	-	205
HS Color Guard	424	-	208	-	216
Athletic Tickets	1,500	5,186	5	(6,681)	-
HS Gamers Club	378	349	202	-	525
Total	\$ 207,668	252,049	284,771	-	174,946

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 28,366	80,370	76,277	32,459
<b>Total assets</b>	<b>\$ 28,366</b>	<b>80,370</b>	<b>76,277</b>	<b>32,459</b>
<b>Liabilities</b>				
Due to other groups	28,366	80,370	76,277	32,459
<b>Total liabilities</b>	<b>\$ 28,366</b>	<b>80,370</b>	<b>76,277</b>	<b>32,459</b>

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 TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 6,578,501	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	196,120	277,037	281,192	182,651	168,851	171,241	139,472	152,363	132,301	126,783
Other	488,111	571,519	585,864	517,868	728,177	915,783	708,657	660,114	730,825	593,641
Intermediate sources	480	-	129,122	139,301	500	-	2,000	5,895	1,530	1,825
State sources	9,527,762	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	969,726	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
<b>Total</b>	<b>\$ 17,760,700</b>	<b>17,380,397</b>	<b>16,781,718</b>	<b>15,919,421</b>	<b>16,903,115</b>	<b>16,236,824</b>	<b>14,768,577</b>	<b>15,048,481</b>	<b>14,179,797</b>	<b>12,555,046</b>
<b>Expenditures:</b>										
<b>Current:</b>										
<b>Instruction:</b>										
Regular	\$ 5,667,384	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	2,520,137	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	1,927,601	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
<b>Support services:</b>										
Student	508,534	514,215	497,984	550,398	291,971	285,627	218,513	287,237	230,147	307,912
Instructional staff	589,387	720,532	930,300	857,963	502,609	352,132	299,096	356,873	197,301	184,627
Administration	1,953,074	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	1,212,286	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	594,973	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	35	344	-	-	-	-	-	-	-	-
Capital outlay	776,312	564,597	414,538	531,359	324,846	281,796	1,260,095	8,222,543	687,194	75,135
<b>Long-term debt:</b>										
Principal	425,000	405,000	390,000	375,000	360,000	345,000	330,000	315,000	-	-
Interest	363,485	275,405	291,836	307,936	322,893	335,380	345,355	354,317	148,869	-
<b>Other expenditures:</b>										
AEA flowthrough	606,720	628,985	689,460	690,681	601,832	577,648	528,031	512,470	499,369	472,195
<b>Total</b>	<b>\$ 17,144,928</b>	<b>18,247,918</b>	<b>17,904,833</b>	<b>17,528,069</b>	<b>16,973,295</b>	<b>16,038,843</b>	<b>16,081,422</b>	<b>22,772,041</b>	<b>14,069,850</b>	<b>12,570,622</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF THE INTERIOR:			
INDIAN EDUCATION - ASSISTANCE TO SCHOOLS	15.130	FY 13	\$ 51,577
U.S. DEPARTMENT OF EDUCATION:			
IMPACT AID	84.041	FY 13	172,046
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	90,645
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	379,419 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 13	10,567
			<u>480,631</u>
TEAM NUTRITION GRANTS	10.574	FY 13	305
U.S. DEPARTMENT OF ENERGY:			
IOWA DEPARTMENT OF ENERGY INDEPENDENCE:			
ARRA - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT PROGRAM, RECOVERY ACT	81.128	FY13	157,361
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	338,991
TITLE I SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 13	20,280
			<u>359,271</u>
PARENTAL ASSISTANCE CENTERS	84.310	FY 11	543
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 13	67,376
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 13	8,788
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)			
	84.027	FY 13	78,818
CAREER AND TECHINCAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	14,611
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 13	2,174
UNIVERSITY OF NORTHERN IOWA:			
STATE STABILIZATION FUND - INVESTING IN INNOVATION(i3) FUND, RECOVERY ACT (SCALING-UP GRANTS)			
	84.396	FY 13	2,870
TOTAL			<u>\$ 1,396,371</u>

\* -Includes \$41,613 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered South Tama County Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Tama County Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Tama County Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting we consider to be a material weakness and a significant deficiency.

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 misstatement 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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-13 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Tama County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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**

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.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2014  
Newton, Iowa

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

**Independent Auditor's Report on Compliance for Each  
Major Federal Program, on Internal Control over Compliance  
and on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited South Tama County Community School District compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of South Tama County Community School District's major federal programs for the year ended June 30, 2013. South Tama County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of South Tama County Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing 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 on compliance for each major federal program. However, our audit does not provide a legal determination of South Tama County Community School District's compliance with those requirements.

**Opinion on Each Major Federal Program**

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 to each of its major federal programs for the year ended June 30, 2013.

**Report on 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 the types of compliance requirements

referred to above. In planning and performing our audit of compliance, we considered South Tama County Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in 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-13 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance which is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2014  
Newton, Iowa

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency 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 unmodified 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:
  - 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 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Service Program for Children
- (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, 2013

**Part II: Findings Related to the Financial Statements:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Wire transfers - processing and approving
- 2) Payroll - entering contracts into the system and approval, writes, signs and posts payroll to ledger.
- 3) Journal entries - writing, posting and approval

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

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

Conclusion - Response accepted.

II-B-13 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, rather than using an Agency Fund.

Response - If future scholarships are paid, the district will receipt and expend the scholarships from the Private Purpose Trust Fund.

Conclusion - Response accepted.

II-C-13 Student Activity Fund - The District's Student Activity Fund is maintaining Class of 2009 and 2010 accounts with balances of \$27 and \$434, respectively.

Recommendation - Upon graduation of a class, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as startup funds for the next incoming class or distributed to another student activity fund account.

Response - If, upon graduation, a class has funds left in its account it will be transferred to another Student Activity Fund account.

Conclusion - Response accepted.

### **Part III: Findings and Questioned Costs For Federal Awards:**

#### INSTANCES OF NON-COMPLIANCE:

No matters were noted.

#### **INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10.559: Summer Food Service Program for Children  
Federal Award Year: 2013  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Federal Award Year: 2013  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Wire transfers - processing and approving
- 2) Payroll - entering contracts into the system and approval, writes, signs and posts payroll to ledger.
- 3) Journal entries - writing, posting and approval

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

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

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-13 Certified Budget - Expenditures for the year ended June 30, 2013 exceeded the amended certified budget amounts in the non-instructional programs functional area.

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 certified budget in the future, if necessary.

Conclusion - Response accepted.

IV-B-13 Questionable Disbursements - We noted during our audit that the District paid expenditures from the District's credit card without a detailed receipt. The District's policy does not require a detailed receipt to accompany purchases with the District's credit cards. However, this does not provide any supporting documentation for the purchases to be audited for appropriateness of the expenditures.

Recommendation - We recommend that the Board provide additional assurances by requiring a detailed receipt for credit card purchases to better prevent misuse of the District credit cards.

Response - The District will review the procedures in place to assure that detailed receipts are received for credit card purchases.

Conclusion - Response accepted.

IV-C-13 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-13 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-13 Supplementary Weighting - We noted variances regarding the supplementary weighting certified to the Iowa Department of Education. The District's supplementary weighting certified to the Iowa Department of Education was overstated by 0.03.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

IV-I-13 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-13 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-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-13 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, 2013, 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 2013 audit.

Beginning balance		\$	1,613,497
Revenues:			
Sales tax revenues	\$	1,227,529	
Federal sources		<u>157,361</u>	<u>1,384,890</u>
			2,998,387
Expenditures/transfers out:			
School infrastructure construction	\$	553,998	
Equipment		81,395	
Transfers to other funds:			
Debt service fund		<u>682,780</u>	<u>1,318,173</u>
Ending balance			<u><u>\$ 1,680,214</u></u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Rate of Levy Reduction Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars Reduced</u>
Debt service levy	<u>\$ 2.20000</u>	<u>\$ 682,780</u>

IV-M-13 Financial Condition - At June 30, 2013, the General Fund had a deficit unassigned fund balance of \$1,323,908 and the Governmental Activities had a deficit unrestricted net position of \$910,622.

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

Response - The District has made great progress in reducing the deficit balance and will continue to look for ways to eliminate the deficit balances.

Conclusion - Response accepted.