

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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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>		
(Before September 2013 Election)		
Michelle Yuska	President	2013
Ron Hala	Vice President	2013
Jackie Dvorak	Board Member	2015
Mark McFate	Board Member	2015
Anne Michael	Board Member	2015
(After September 2013 Election)		
Mark McFate	President	2015
Michelle Yuska	Vice President	2017
Alan Kline	Board Member	2017
Jackie Dvorak	Board Member	2015
Anne Michael	Board Member	2015
<b>School Officials</b>		
Kerri Nelson	Superintendent	2014
Mary Boege	Director of Finance and Operations District Secretary	2014
Ahlers & Cooney, P.C.	Attorney	2014

**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, 2014, 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, 2014, 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, 2013 (which are not presented herein) and expressed unmodified 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 March 13, 2015 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.

March 13, 2015  
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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$15,137,858 in fiscal 2013 to \$16,137,663 in fiscal 2014, while General Fund expenditures increased from \$14,490,368 in fiscal 2013 to \$14,953,086 in fiscal 2014. The District's General Fund balance increased from a deficit balance of \$1,091,385 in fiscal 2013 to a balance of \$93,192 in fiscal 2014, a 108.54% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax during fiscal 2014. The increase in expenditures was due primarily to increases in the support service functional area.

### **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.

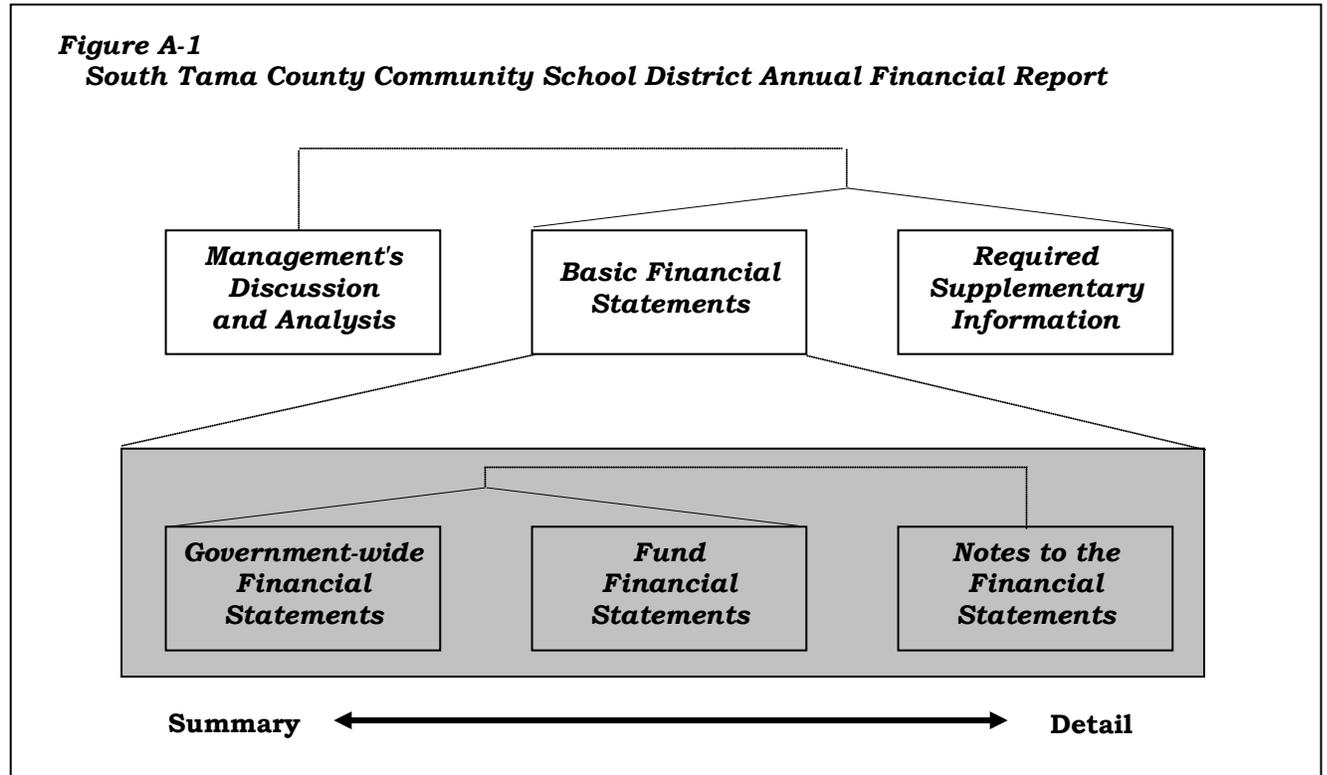


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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

## **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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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.

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The two government-wide financial statements report the District's net position and how they have changed. Net position is 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. These funds include the Private-Purpose Trust and Agency Funds.

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 governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2014 compared to June 30, 2013.

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,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 10,946,125	14,876,371	49,753	75,588	10,995,878	14,951,959	-26.46%
Capital assets	11,331,017	11,821,431	82,741	79,705	11,413,758	11,901,136	-4.10%
Total assets	22,277,142	26,697,802	132,494	155,293	22,409,636	26,853,095	-16.55%
Long-term obligations	6,237,245	12,582,449	3,798	1,845	6,241,043	12,584,294	-50.41%
Other liabilities	1,955,318	1,971,705	19,941	52,822	1,975,259	2,024,527	-2.43%
Total liabilities	8,192,563	14,554,154	23,739	54,667	8,216,302	14,608,821	-43.76%
Deferred inflows of resources	5,372,891	5,244,129	-	-	5,372,891	5,244,129	2.46%
Net position:							
Invested in capital assets, net of related debt	5,456,017	5,593,978	82,741	79,705	5,538,758	5,673,683	-2.38%
Restricted	2,991,063	2,216,163	-	-	2,991,063	2,216,163	34.97%
Unrestricted	264,608	(910,622)	26,014	20,921	290,622	(889,701)	132.67%
Total net position	\$ 8,711,688	6,899,519	108,755	100,626	8,820,443	7,000,145	26.00%

The District's combined net position increased by 26.00%, or \$1,820,298 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 \$774,900, or 34.97% over the prior year. This increase was primarily due to an increase in the Capital Projects fund balances 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 \$1,180,323, or 132.67%. 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, 2014 compared to the year ended June 30, 2013.

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,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 497,082	490,015	233,641	224,414	730,723	714,429	2.28%
Operating grants, contributions and restricted interest	2,206,653	1,673,109	518,549	487,169	2,725,202	2,160,278	26.15%
Capital grants, contributions and restricted interest	2,000	177,361	-	-	2,000	177,361	-98.87%
General revenues:							
Property tax	5,232,447	4,989,552	-	-	5,232,447	4,989,552	4.87%
Income surtax	746,983	702,963	-	-	746,983	702,963	6.26%
Statewide sales, services and use tax	1,282,764	1,227,529	-	-	1,282,764	1,227,529	4.50%
Unrestricted state grants	8,374,876	8,667,498	-	-	8,374,876	8,667,498	-3.38%
Nonspecific federal grants	101,835	-	-	-	101,835	-	100.00%
Unrestricted interest earnings	31,771	36,333	383	607	32,154	36,940	-12.96%
Other	92,741	137,883	1,763	-	94,504	137,883	-31.46%
Total revenues	18,569,152	18,102,243	754,336	712,190	19,323,488	18,814,433	2.71%
Program expenses:							
Governmental activities:							
Instruction	9,968,895	9,926,802	-	-	9,968,895	9,926,802	0.42%
Support services	5,550,034	5,117,356	166	424	5,550,200	5,117,780	8.45%
Non-instructional programs	-	35	746,041	753,131	746,041	753,166	-0.95%
Other expenses	1,238,054	1,274,396	-	-	1,238,054	1,274,396	-2.85%
Total expenses	16,756,983	16,318,589	746,207	753,555	17,503,190	17,072,144	2.52%
Excess of revenues over expenditures	1,812,169	1,783,654	8,129	(41,365)	1,820,298	1,742,289	4.48%
Transfers	-	(14,562)	-	14,562	-	-	0.00%
Change in net position	1,812,169	1,769,092	8,129	(26,803)	1,820,298	1,742,289	4.48%
Net position beginning of year	6,899,519	5,130,427	100,626	127,429	7,000,145	5,257,856	33.14%
Net position end of year	\$ 8,711,688	6,899,519	108,755	100,626	8,820,443	7,000,145	26.00%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 84.21% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.72% of the revenue from business type activities.

The District's total revenues were approximately \$19.32 million of which approximately \$18.57 million was for governmental activities and approximately \$0.75 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.71% increase in revenues and a 2.52% increase in expenses. The increase in revenues is related to increases in local and state aid during 2014. The increase in expenditures is related to an increase in the instruction and support service functional areas.

### Governmental Activities

Revenues for governmental activities were \$18,569,152 and expenses were \$16,756,983.

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, 2014 compared to the year ended June 30, 2013.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 9,968,895	9,926,802	0.42%	8,024,587	8,372,761	-4.16%
Support services	5,550,034	5,117,356	8.46%	5,415,370	4,937,632	9.68%
Non-instructional	-	35	-100.00%	-	35	-100.00%
Other expenses	1,238,054	1,274,396	-2.85%	611,291	667,676	8.44%
Totals	\$ 16,756,983	16,318,589	2.69%	14,051,248	13,978,104	0.52%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$497,082.
- Federal and state governments subsidized certain programs with operating grants and contributions totaling \$2,206,653.
- The net cost of governmental activities was financed with \$5,232,447 in property tax, \$746,983 in income surtax, \$1,282,764 in statewide sales, services and use tax, \$8,374,876 in unrestricted state grants, \$101,835 in nonspecific federal grants, \$31,771 in interest income, other general revenues of \$92,741 and \$2,000 of capital grants, contributions and restricted interest.

### Business type Activities

Revenues of the District's business type activities were \$754,336 and expenses were \$746,207. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

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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 \$2,748,697, compared to last year's ending fund balances of \$6,711,245. The decrease in overall fund balance is mainly due to the decrease in the Debt Service fund.

### **Governmental Fund Highlights**

- The General Fund balance increased from a deficit \$1,091,385 in fiscal 2013 to \$93,192 in fiscal 2014. Local tax revenues increased by \$675,999 during fiscal 2014. Expenditures in the instruction and support services functional areas also increased during the year. The increase in revenues combined with the decrease in expenditures resulted in an increase in fund balance of \$1,184,577.
- The Capital Projects accounts balance increased from \$1,813,474 in fiscal 2013 to \$2,404,576 in fiscal 2014. Revenues decreased from \$1,814,253 in fiscal 2013 to \$1,772,824 in fiscal 2013, due to an increase in federal source revenue. Expenditures decreased from \$1,791,836 in fiscal 2013 to \$1,181,722 in fiscal 2014. This resulted in an increase in fund balance of \$591,102.
- The Debt Service Fund balance decreased from \$5,722,268 in fiscal 2013 to \$19,721 in fiscal 2014. This decrease was primarily due to the District calling the general obligation bonds dated December 1, 2004 for early payment.

### **Proprietary Fund Highlights**

The Proprietary Fund net position increased from \$100,626 at June 30, 2013 to \$108,755 at June 30, 2013, representing an increase of 8.08%.

## **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 other expenditures functional areas to account for the District's calling additional bonds for early payment.

The District's revenues were \$37,449 more than budgeted revenues, a variance of 0.19%. The most significant variance resulted from the District receiving more state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, the District had invested \$11,413,758, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.10% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$555,543.

The original cost of the District's capital assets was \$19,115,954. Governmental funds account for \$18,843,912 with the remainder of \$272,042 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$799,252 reported at June 30, 2013, compared to \$618,293 at June 30, 2014. This decrease resulted from recognizing depreciation expense on assets during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 314,400	314,400	-	-	314,400	314,400	0.00%
Buildings	10,263,100	10,549,070	-	-	10,263,100	10,549,070	-2.71%
Improvements other than buildings	217,965	238,414	-	-	217,965	238,414	-8.58%
Machinery and equipment	535,552	719,547	82,741	79,705	618,293	799,252	-22.64%
Total	\$ 11,331,017	11,821,431	82,741	79,705	11,413,758	11,901,136	-4.10%

### Long-Term Debt

At June 30, 2014, the District had \$6,241,043 in general obligation and other long-term debt outstanding. This represents a decrease of 50.41% 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 \$5,875,000 at June 30, 2014.
- The District had compensated absences at June 30, 2014 of \$40,773.
- The District had total outstanding termination benefits payable of \$325,270 at June 30, 2014. Of this amount \$297,470 was attributable to the Management Fund and \$27,700 was attributable to the General Fund.

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,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 5,875,000	11,930,000	-	-	5,875,000	11,930,000	-50.75%
Compensated absences	36,975	21,914	3,798	1,845	40,773	23,759	71.61%
Termination benefits	325,270	630,535	-	-	325,270	630,535	-48.41%
<b>Total</b>	<b>\$ 6,237,245</b>	<b>12,582,449</b>	<b>3,798</b>	<b>1,845</b>	<b>6,241,043</b>	<b>12,584,294</b>	<b>-50.41%</b>

### **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 continued to reduce hours of some staff for FY15 and eliminated some positions because of the ACA which should help improve the District's fund balance.

### **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, 2014

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments:	\$ 3,558,739	27,835	3,586,574
Receivables:			
Property tax:			
Delinquent	96,980	-	96,980
Succeeding year	5,358,331	-	5,358,331
Income surtax	671,292	-	671,292
Accounts	29,801	810	30,611
Due from other governments	1,010,487	8,003	1,018,490
Inventories	-	13,105	13,105
Prepaid expenses	4,950	-	4,950
Net OPEB asset	215,545	-	215,545
Capital assets, net of accumulated depreciation	11,331,017	82,741	11,413,758
<b>Total assets</b>	<b>22,277,142</b>	<b>132,494</b>	<b>22,409,636</b>
<b>Liabilities</b>			
Accounts payable	470,034	1,548	471,582
Salaries and benefits payable	1,467,666	7,362	1,475,028
Interest payable	17,618	-	17,618
Unearned revenue	-	11,031	11,031
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	550,000	-	550,000
Compensated absences	36,975	3,798	40,773
Termination benefits payable	286,270	-	286,270
Portion due after one year:			
General obligation bonds payable	5,325,000	-	5,325,000
Termination benefits payable	39,000	-	39,000
<b>Total liabilities</b>	<b>8,192,563</b>	<b>23,739</b>	<b>8,216,302</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	5,358,331	-	5,358,331
Other	14,560	-	14,560
<b>Total deferred inflows of resources</b>	<b>5,372,891</b>	<b>-</b>	<b>5,372,891</b>
<b>Net Position</b>			
Net investment in capital assets	5,456,017	82,741	5,538,758
Restricted for:			
Categorical funding	410,266	-	410,266
Debt service	2,103	-	2,103
Student activities	179,068	-	179,068
School infrastructure	2,072,682	-	2,072,682
Physical plant and equipment	326,944	-	326,944
Unrestricted	264,608	26,014	290,622
<b>Total net position</b>	<b>\$ 8,711,688</b>	<b>108,755</b>	<b>8,820,443</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

	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	\$ 5,722,250	138,727	262,825	-	(5,320,698)	-	(5,320,698)
Special	2,425,163	103,260	194,031	-	(2,127,872)	-	(2,127,872)
Other	1,821,482	245,425	1,000,040	-	(576,017)	-	(576,017)
	9,968,895	487,412	1,456,896	-	(8,024,587)	-	(8,024,587)
Support services:							
Student	540,712	-	85	-	(540,627)	-	(540,627)
Instructional staff	691,016	-	82,501	-	(608,515)	-	(608,515)
Administration	2,011,346	-	38,700	-	(1,972,646)	-	(1,972,646)
Operation and maintenance of plant	1,480,064	-	-	2,000	(1,478,064)	-	(1,478,064)
Transportation	826,896	9,670	1,708	-	(815,518)	-	(815,518)
	5,550,034	9,670	122,994	2,000	(5,415,370)	-	(5,415,370)
Long-term debt interest	304,872	-	-	-	(304,872)	-	(304,872)
Other expenditures:							
AEA flowthrough	626,763	-	626,763	-	-	-	-
Depreciation(unallocated)*	306,419	-	-	-	(306,419)	-	(306,419)
	933,182	-	626,763	-	(306,419)	-	(306,419)
Total governmental activities	16,756,983	497,082	2,206,653	2,000	(14,051,248)	-	(14,051,248)
Business type activities:							
Support services:							
Operations and minenance of plant	166	-	-	-	-	(166)	(166)
Non-instructional programs:							
Nutrition services	746,041	233,641	518,549	-	-	6,149	6,149
Total business type activities	746,207	233,641	518,549	-	-	5,983	5,983
Total	\$ 17,503,190	730,723	2,725,202	2,000	(14,051,248)	5,983	(14,045,265)
<b>General Revenues:</b>							
General revenues:							
Property tax levied for:							
General purposes				\$ 5,154,508	-		5,154,508
Capital outlay				77,939	-		77,939
Income surtax				746,983	-		746,983
Statewide sales, services and use tax				1,282,764	-		1,282,764
Unrestricted state grants				8,374,876	-		8,374,876
Nonspecific federal grants				101,835	-		101,835
Unrestricted investment earnings				31,771	383		32,154
Other				92,741	1,763		94,504
Total general revenues & transfers				15,863,417	2,146		15,865,563
Changes in net position				1,812,169	8,129		1,820,298
Net position beginning of year				6,899,519	100,626		7,000,145
Net position end of year				\$ 8,711,688	108,755		8,820,443

\* 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, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments:	\$ 1,528,699	1,786,064	19,721	224,255	3,558,739
Receivables:					
Property tax:					
Delinquent	87,861	1,444	-	7,675	96,980
Succeeding year	4,943,331	-	-	415,000	5,358,331
Income surtax	309,827	361,465	-	-	671,292
Accounts	27,325	-	-	2,476	29,801
Due from other governments	276,713	733,774	-	-	1,010,487
Prepaid expenses	-	4,950	-	-	4,950
<b>Total assets</b>	<b>\$ 7,173,756</b>	<b>2,887,697</b>	<b>19,721</b>	<b>649,406</b>	<b>10,730,580</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 345,180	121,656	-	3,198	470,034
Salaries and benefits payable	1,467,666	-	-	-	1,467,666
<b>Total liabilities</b>	<b>1,812,846</b>	<b>121,656</b>	<b>-</b>	<b>3,198</b>	<b>1,937,700</b>
<b>Deferred inflows of resources:</b>					
<b>Unavailable revenues:</b>					
Succeeding year property tax	4,943,331	-	-	415,000	5,358,331
Income surtax	309,827	361,465	-	-	671,292
Other	14,560	-	-	-	14,560
<b>Total deferred inflows of resources</b>	<b>5,267,718</b>	<b>361,465</b>	<b>-</b>	<b>415,000</b>	<b>6,044,183</b>
<b>Fund balances:</b>					
Nonspendable	-	4,950	-	-	4,950
<b>Restricted for:</b>					
Categorical funding	410,266	-	-	-	410,266
Debt service	-	-	19,721	-	19,721
Management levy purposes	-	-	-	52,140	52,140
Student activities	-	-	-	179,068	179,068
School infrastructure	-	2,072,682	-	-	2,072,682
Physical plant and equipment	-	326,944	-	-	326,944
Unassigned	(317,074)	-	-	-	(317,074)
<b>Total fund balances</b>	<b>93,192</b>	<b>2,404,576</b>	<b>19,721</b>	<b>231,208</b>	<b>2,748,697</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,173,756</b>	<b>2,887,697</b>	<b>19,721</b>	<b>649,406</b>	<b>10,730,580</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, 2014

<b>Total fund balances of governmental funds(page 20)</b>	\$	2,748,697
 <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.		11,331,017
Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.		671,292
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.		(17,618)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		215,545
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>(6,237,245)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>8,711,688</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, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 5,093,297	487,794	-	414,022	5,995,113
Tuition	188,277	-	-	-	188,277
Other	169,466	2,224	18,158	245,469	435,317
State sources	9,903,725	1,282,806	-	221	11,186,752
Federal sources	779,376	-	-	-	779,376
<b>Total revenues</b>	<b>16,134,141</b>	<b>1,772,824</b>	<b>18,158</b>	<b>659,712</b>	<b>18,584,835</b>
Expenditures:					
Current:					
Instruction:					
Regular	5,910,017	-	-	-	5,910,017
Special	2,410,946	-	-	-	2,410,946
Other	1,566,256	-	-	241,347	1,807,603
	9,887,219	-	-	241,347	10,128,566
Support services:					
Student	535,903	-	-	-	535,903
Instructional staff	434,304	224,664	-	-	658,968
Administration	1,662,167	-	-	369,023	2,031,190
Operation and maintenance of plant	1,138,937	44,089	-	76,734	1,259,760
Transportation	667,793	6,107	-	8,288	682,188
	4,439,104	274,860	-	454,045	5,168,009
Capital outlays	-	227,082	-	-	227,082
Long-term debt:					
Principal	-	-	6,055,000	-	6,055,000
Interest and fiscal charges	-	-	345,485	-	345,485
	-	-	6,400,485	-	6,400,485
Other expenditures:					
AEA flowthrough	626,763	-	-	-	626,763
<b>Total expenditures</b>	<b>14,953,086</b>	<b>501,942</b>	<b>6,400,485</b>	<b>695,392</b>	<b>22,550,905</b>
Excess(Deficiency) of revenues over(under) expenditures	1,181,055	1,270,882	(6,382,327)	(35,680)	(3,966,070)
Other financing sources(uses):					
Transfer in	-	-	679,780	-	679,780
Transfer out	-	(679,780)	-	-	(679,780)
Sale of equipment	3,522	-	-	-	3,522
<b>Total other financing sources(uses)</b>	<b>3,522</b>	<b>(679,780)</b>	<b>679,780</b>	<b>-</b>	<b>3,522</b>
Change in fund balances	1,184,577	591,102	(5,702,547)	(35,680)	(3,962,548)
Fund balances beginning of year	(1,091,385)	1,813,474	5,722,268	266,888	6,711,245
Fund balances end of year	\$ 93,192	2,404,576	19,721	231,208	2,748,697

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, 2014

**Change in fund balances - total governmental funds(page 22)** \$ (3,962,548)

*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	\$ 50,597	
Depreciation expense	<u>(541,011)</u>	(490,414)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (15,683)

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. 6,055,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 40,613

Other postemployment benefit assets are not available to finance expenditures of the current year period in the governmental funds. (105,003)

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	\$ 305,265	
Compensated absences	<u>(15,061)</u>	<u>290,204</u>

**Change in net position of governmental activities(page 19)** \$ 1,812,169

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

		School Nutrition
<b>Assets</b>		
Cash and cash equivalents	\$	27,835
Accounts receivable		810
Due from other governments		8,003
Inventories		13,105
Capital assets, net of accumulated depreciation		82,741
<b>Total assets</b>		132,494
<b>Liabilities</b>		
Current liabilities:		
Accounts payable		1,548
Salaries and benefits payable		7,362
Unearned revenue		11,031
Compensated absences		3,798
<b>Total liabilities</b>		23,739
<b>Net position</b>		
Net investment in capital assets		82,741
Unrestricted		26,014
<b>Total net position</b>	\$	108,755

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, 2014

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 233,641
Miscellaneous	1,763
Total operating revenues	235,404
 Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	166
Non-instructional programs:	
Food service operations:	
Salaries	265,152
Benefits	51,122
Services	6,449
Supplies	408,623
Depreciation	14,532
	745,878
Total operating expenses	746,044
 Operating loss	(510,640)
 Non-operating revenues(expenses):	
State sources	6,329
Federal sources	512,220
Interest income	383
Loss on disposal	(163)
Total non-operating revenues(expenses)	518,769
 Change in net position	8,129
 Net position beginning of year	100,626
 Net position end of year	\$ 108,755

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 234,196
Cash received from miscellaneous	1,763
Cash payments to employees for services	(346,518)
Cash payments to suppliers for goods or services	(368,196)
Net cash used in operating activities	(478,755)
Cash flows from non-capital financing activities:	
State grants received	6,329
Federal grants received	464,721
Net cash provided by non-capital financing activities:	471,050
Cash flows from investing activities:	
Interest on investments	383
Cash flows from capital financing activities:	
Purchase of assets	(17,731)
Net decrease in cash and cash equivalents	(25,053)
Cash and cash equivalents at beginning of year	52,888
Cash and cash equivalents at end of year	\$ 27,835
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (510,640)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	46,560
Depreciation	14,532
Decrease in inventories	1,601
Decrease in accounts receivable	120
Decrease in accounts payable	(1,119)
Decrease in salaries and benefits payable	(32,197)
Increase in unearned revenue	435
Increase in compensated absences	1,953
Net cash used in operating activities	\$ (478,755)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received Federal commodities valued at \$46,560.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2014

	Private Purpose Trust	Agency
	Scholarship	
<b>Assets</b>		
Cash and pooled investments	\$ 12,574	33,732
Due from other groups	-	1,989
<b>Total assets</b>	12,574	35,721
<b>Liabilities</b>		
Due to other groups	-	35,721
<b>Total liabilities</b>	-	35,721
<b>Net position</b>		
Restricted for scholarhips	\$ 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, 2014

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

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**(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 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* 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. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which 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, Deferred Inflows of Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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 Inflows of Resources - 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 inflows of resources 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 inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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, 2014. 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.

## **E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services functional area.

### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had no investments.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 679,780

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 2013-2014 ONE included taxable warrants only. The interest rates on the Series 2013-2014 ONE warrants are variable rates, calculated daily, and based on the one-month LIBOR rate plus 100 basis points. The LIBOR rate at June 30, 2014 was 0.1524%.

During the year ended June 30, 2014, the District had no borrowings or repayments.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 267,342	17,731	13,031	272,042
Less accumulated depreciation	187,637	14,532	12,868	189,301
Business type activities capital assets, net	\$ 79,705	3,199	163	82,741

	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>314,400</u>
Capital assets being depreciated:				
Buildings	14,112,713	-	-	14,112,713
Improvements other than buildings	408,975	-	-	408,975
Machinery and equipment	3,957,227	50,597	-	4,007,824
Total capital assets being depreciated	<u>18,478,915</u>	<u>50,597</u>	-	<u>18,529,512</u>
Less accumulated depreciation for:				
Buildings	3,563,643	285,970	-	3,849,613
Improvements other than buildings	170,561	20,449	-	191,010
Machinery and equipment	3,237,680	234,592	-	3,472,272
Total accumulated depreciation	<u>6,971,884</u>	<u>541,011</u>	-	<u>7,512,895</u>
Total capital assets being depreciated, net	<u>11,507,031</u>	<u>(490,414)</u>	-	<u>11,016,617</u>
Governmental activities capital assets, net	<u>\$ 11,821,431</u>	<u>(490,414)</u>	-	<u>11,331,017</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 2,880
Other	2,932
Support services:	
Instructional staff	25,693
Administration	15,357
Operation and maintenance of plant	37,720
Transportation	<u>150,010</u>
	234,592
Unallocated depreciation	<u>306,419</u>
Total governmental activities depreciation expense	<u>\$ 541,011</u>
Business type activities:	
Food services	<u>\$ 14,532</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 11,930,000	-	6,055,000	5,875,000	550,000
Compensated absences	21,914	36,975	21,914	36,975	36,975
Termination benefits	630,535	-	305,265	325,270	286,270
Total	<u>\$ 12,582,449</u>	<u>36,975</u>	<u>6,382,179</u>	<u>6,237,245</u>	<u>873,245</u>
Business type activities:					
Compensated absences	\$ 1,845	3,798	1,845	3,798	3,798

General Obligation Bonds Payable

Year Ending June 30,	Bond issue dated May 3, 2012			
	Interest Rates	Principal	Interest	Total
2015	0.65-0.80 %	\$ 550,000	104,811	654,811
2016	0.90-1.05	555,000	100,480	655,480
2017	1.15-1.30	560,000	94,693	654,693
2018	1.40-1.50	570,000	87,448	657,448
2019	1.60-1.75	575,000	78,897	653,897
2020-2024	1.85-2.70	3,065,000	211,802	3,276,802
Total		<u>\$ 5,875,000</u>	<u>678,131</u>	<u>6,553,131</u>

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, 2014, totaled \$305,265. 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$838,174, \$803,470 and \$784,032, 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, 2014, 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		(14,425)
Adjustment to annual required contribution		21,937
Annual OPEB cost (expense)		<u>167,611</u>
Contributions made		<u>(62,608)</u>
Increase in net OPEB obligation		105,003
Net OPEB obligation - beginning of year		<u>(320,548)</u>
Net OPEB obligation - end of year	\$	<u><u>(215,545)</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, 2014.

For fiscal year 2014, the District contributed \$62,608 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 280,562	173.2%	\$ (419,438)
2013	157,962	37.4%	(320,548)
2014	167,611	37.4%	(215,545)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$7.560 million, and the ratio of the UAAL to the covered payroll was 21.3%. As of June 30, 2014, 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 \$626,763 for the year ended June 30, 2014 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 \$80,172.

**(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, 2014, expenditures in the support services functional area exceeded the certified budget.

**(13) Deficit Fund Balance**

The District had a deficit unassigned fund balance in the General Fund of \$317,074.

**(14) Categorical Funding**

The District's ending restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

Project	Amount
Gifted and talented	\$ 78,841
At-Risk supplemental weighting	1,416
Dropout and dropout prevention	55,017
Teacher salary supplement	52,656
Successful progression for early readers	21,090
4-year-old preschool state aid	56,398
Teacher leadership grants	9,089
State decategorization grant	26,431
Juvenile delinquency grant	17,496
Professional development	91,832
Total	<u>\$ 410,266</u>

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

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

	Invested in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	52,140	19,721	(317,074)
Capital assets, net of accumulated depreciation	11,331,017	-	-	-
General obligation bond capitalized indebtedness	(5,875,000)	-	-	-
Income Surtax	-	-	-	671,292
Termination benefits	-	(52,140)	-	(273,130)
Compensated absences	-	-	-	(36,975)
Accrued interest payable	-	-	(17,618)	-
Net OPEB asset	-	-	-	215,545
Nonspendable fund balance	-	-	-	4,950
Net position (Exhibit A)	<u>\$ 5,456,017</u>	<u>-</u>	<u>2,103</u>	<u>264,608</u>

**(16) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 6,618,707	235,787	6,854,494	8,118,578	8,118,578	(1,264,084)
State sources	11,186,752	6,329	11,193,081	9,873,144	9,873,144	1,319,937
Federal sources	779,376	512,220	1,291,596	1,310,000	1,310,000	(18,404)
Total revenues	18,584,835	754,336	19,339,171	19,301,722	19,301,722	37,449
Expenditures/Expenses:						
Instruction	10,128,566	-	10,128,566	11,384,422	11,384,422	1,255,856
Support services	5,168,009	166	5,168,175	4,774,772	4,774,772	(393,403)
Non-instructional programs	-	746,041	746,041	755,000	755,000	8,959
Other expenditures	7,254,330	-	7,254,330	1,695,229	7,306,967	52,637
Total expenditures/expenses	22,550,905	746,207	23,297,112	18,609,423	24,221,161	924,049
Excess(Deficiency) of revenues over(under) expenditures/expenses	(3,966,070)	8,129	(3,957,941)	692,299	(4,919,439)	961,498
Other financing sources, net	3,522	-	3,522	1,000	1,000	2,522
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing sources	(3,962,548)	8,129	(3,954,419)	693,299	(4,918,439)	964,020
Balance beginning of year	6,711,245	100,626	6,811,871	(494,660)	(494,660)	7,306,531
Balance end of year	\$ 2,748,697	108,755	2,857,452	198,639	(5,413,099)	8,270,551

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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, 2014, the District adopted one budget amendment increasing budgeted expenditures by \$5,611,738.

During the year ended June 30, 2014, expenditures in the support services 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%
2014	July 1, 2012	-	1,613,642	1,613,642	0.0%	7,560,064	21.3%

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, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 45,068	179,187	224,255
Receivables:			
Property tax:			
Delinquent	7,675	-	7,675
Succeeding year	415,000	-	415,000
Accounts	-	2,476	2,476
<b>Total assets</b>	<b>\$ 467,743</b>	<b>181,663</b>	<b>649,406</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 603	2,595	3,198
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	415,000	-	415,000
Fund balances:			
Restricted for:			
Management levy purposes	52,140	-	52,140
Student activities	-	179,068	179,068
Total fund balances	52,140	179,068	231,208
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 467,743</b>	<b>181,663</b>	<b>649,406</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, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 414,022	-	414,022
Other	-	245,469	245,469
State sources	221	-	221
Total revenues	414,243	245,469	659,712
Expenditures:			
Current:			
Instruction:			
Other	-	241,347	241,347
Support services:			
Administration	369,023	-	369,023
Operation and maintenance of plant	76,734	-	76,734
Transportation	8,288	-	8,288
Total expenditures	454,045	241,347	695,392
Change in fund balances	(39,802)	4,122	(35,680)
Fund balances beginning of year	91,942	174,946	266,888
Fund balances end of year	\$ 52,140	179,068	231,208

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,339,508	446,556	1,786,064
Receivables:			
Property tax:			
Delinquent	-	1,444	1,444
Income surtax	-	361,465	361,465
Due from other governments	733,774	-	733,774
Prepaid expenses	-	4,950	4,950
<b>Total assets</b>	<b>\$ 2,073,282</b>	<b>814,415</b>	<b>2,887,697</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 600	121,056	121,656
Deferred inflows of resources:			
Unavailable revenues:			
Income surtax	-	361,465	361,465
Fund balances:			
Nonspendable	-	4,950	4,950
Restricted for:			
School infrastructure	2,072,682	-	2,072,682
Physical plant and equipment	-	326,944	326,944
Total fund balances	2,072,682	331,894	2,404,576
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,073,282</b>	<b>814,415</b>	<b>2,887,697</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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	487,794	487,794
Other	-	2,224	2,224
State sources	1,282,764	42	1,282,806
Total revenues	1,282,764	490,060	1,772,824
Expenditures:			
Current:			
Support services:			
Instructional staff	197,689	26,975	224,664
Operation and maintenance of plant	-	44,089	44,089
Transportation	-	6,107	6,107
Capital outlays	12,827	214,255	227,082
Total expenditures	210,516	291,426	501,942
Excess of revenues over expenditures	1,072,248	198,634	1,270,882
Other financing uses:			
Transfer out	(679,780)	-	(679,780)
Change in fund balances	392,468	198,634	591,102
Fund balances beginning of year	1,680,214	133,260	1,813,474
Fund balances end of year	\$ 2,072,682	331,894	2,404,576

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, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Change	Balance End of Year
Interest	\$ -	45	-	-	45
District Registration	-	8,543	-	(7,500)	1,043
Cross Country	1,000	896	1,001	105	1,000
Boys Basketball	6,970	9,768	5,115	-	11,623
Basketball fundraising	196	-	-	-	196
Football	15,339	17,460	20,456	-	12,343
Football fundraising	60	-	-	-	60
Special Fundraising	66	-	-	-	66
Boys Soccer	1,000	4,929	4,600	171	1,500
Girls Soccer	1,000	6,020	4,436	-	2,584
Baseball	1,000	5,220	5,633	413	1,000
Boys Golf	1,000	210	630	420	1,000
Girls Golf	1,000	180	1,218	796	758
Wrestling	4,288	5,373	4,511	-	5,150
Girls Basketball	14,713	15,956	13,220	-	17,449
Volleyball	16,841	6,267	7,336	-	15,772
Softball	4,029	3,186	8,124	2,037	1,128
Boys Track	930	5,487	6,148	-	269
Girls Track	1,000	1,913	4,565	2,652	1,000
Boys Tennis	1,000	5	252	247	1,000
Girls Tennis	414	185	522	923	1,000
Elementary Activity	1,458	1,200	1,258	-	1,400
Elementary Assembly	737	-	-	-	737
Elementary Red Ribbon	190	-	-	-	190
Elementary Book Fair	2,449	5,639	5,087	-	3,001
MS Activities	2,257	697	1,904	-	1,050
MS Assembly	4,892	-	-	-	4,892
MS Athletics	1,500	-	11,447	11,097	1,150
MS Concessions	7,586	13,651	7,782	(6,711)	6,744
MS Band	1,703	200	479	279	1,703
MS Vocal	981	-	-	-	981
Friends for Change	-	210	192	-	18
MS Student Council	603	1,548	2,486	335	-
MS Magazine Sales	901	1,549	1,961	-	489
HS Activities	1,217	9,250	7,746	461	3,182
HS Athletic-Activity	-	1,680	694	-	986
All 4 One Club	275	223	25	-	473
Diversity Account	1,381	-	-	-	1,381
HS Drill Team	227	-	-	-	227

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance End of Year	Revenues	Expendi- tures	Interfund Change	Balance End of Year
Annual	5,516	5,055	6,723	-	3,848
Art Activities	138	15	114	-	39
Cheerleaders	482	2,433	2,553	638	1,000
ALM Club	1,449	690	688	-	1,451
HS Class Activity	786	-	-	-	786
Class of 2009	27	-	-	(27)	-
Class of 2010	434	-	-	(434)	-
HS Concessions	21,166	34,230	30,310	(8,486)	16,600
Drama Club	1,088	3,873	5,864	1,903	1,000
Environmental Science	1,656	-	-	-	1,656
Archery Club	-	2,000	1,557	-	443
FFA Club	11,545	30,043	27,108	-	14,480
FCCLA Club	22	-	-	-	22
National Honor Society	1,000	1,051	1,847	796	1,000
National Art Honor Society	1,267	-	-	-	1,267
HS Band	-	400	3,928	4,528	1,000
Harding Street	-	1,452	1,043	591	1,000
Musical	4,754	2,614	1,194	-	6,174
HS Vocal	1,039	195	526	377	1,085
Music Dept Cards	647	-	-	-	647
HS PE Club	50	10	-	-	60
Plays	2,301	1,315	1,177	-	2,439
Pop, HS Student	12,501	7,580	4,009	(7,659)	8,413
Soda Club	105	-	-	-	105
Speech Club	1,000	3,607	3,708	-	899
HS Student Council	1,211	6,104	7,598	1,283	1,000
HS Vending	2,107	5,666	6,075	-	1,698
HS Prom Account	1,053	4,907	4,680	-	1,280
Blue Crew	453	-	359	765	859
Pride Club	205	55	-	-	260
HS Color Guard	216	-	-	-	216
Athletic Tickets	-	2,797	-	-	2,797
HS Gamers Club	525	1,887	1,458	-	954
Total	\$ 174,946	245,469	241,347	-	179,068

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 32,459	72,466	71,193	33,732
Due from other groups	-	1,989	-	1,989
<b>Total assets</b>	<b>\$ 32,459</b>	<b>74,455</b>	<b>71,193</b>	<b>35,721</b>
<b>Liabilities</b>				
Due to other groups	\$ 32,459	74,455	71,193	35,721
<b>Total liabilities</b>	<b>\$ 32,459</b>	<b>74,455</b>	<b>71,193</b>	<b>35,721</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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 5,995,113	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
Tuition	188,277	196,120	277,037	281,192	182,651	168,851	171,241	139,472	152,363	132,301
Other	435,317	488,111	571,519	585,864	517,868	728,177	915,783	708,657	660,114	730,825
Intermediate sources	-	480	-	129,122	139,301	500	-	2,000	5,895	1,530
State sources	11,186,752	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
Federal sources	779,376	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
Total	\$ 18,584,835	17,760,700	17,380,397	16,781,718	15,919,421	16,903,115	16,236,824	14,768,577	15,048,481	14,179,797
Expenditures:										
Current:										
Instruction:										
Regular	\$ 5,910,017	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
Special	2,410,946	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
Other	1,807,603	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
Support services:										
Student	535,903	508,534	514,215	497,984	550,398	291,971	285,627	218,513	287,237	230,147
Instructional staff	658,968	589,387	720,532	930,300	857,963	502,609	352,132	299,096	356,873	197,301
Administration	2,031,190	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
Operation and maintenance of plant	1,259,760	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
Transportation services	682,188	594,973	802,495	1,019,949	678,849	732,906	584,335	574,556	644,149	465,085
Non-instructional programs	-	35	344	-	-	-	-	-	-	-
Capital outlay	227,082	776,312	564,597	414,538	531,359	324,846	281,796	1,260,095	8,222,543	687,194
Long-term debt:										
Principal	6,055,000	425,000	405,000	390,000	375,000	360,000	345,000	330,000	315,000	-
Interest	345,485	363,485	275,405	291,836	307,936	322,893	335,380	345,355	354,317	148,869
Other expenditures:										
AEA flowthrough	626,763	606,720	628,985	689,460	690,681	601,832	577,648	528,031	512,470	499,369
Total	\$ 22,550,905	17,144,928	18,247,918	17,904,833	17,528,069	16,973,295	16,038,843	16,081,422	22,772,041	14,069,850

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF THE INTERIOR:			
INDIAN EDUCATION - ASSISTANCE TO SCHOOLS	15.130	FY 14	\$ 38,434
U.S. DEPARTMENT OF EDUCATION:			
IMPACT AID	84.041	FY 14	101,835
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	108,015
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	396,244 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 14	7,961
			<u>512,220</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	350,692
TITLE I SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 14	15,204
			<u>365,896</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 14	45
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 14	60,763
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 14	7,403
SPECIAL EDUCATION - GRANTS TO STATES (IDEA SUBGRANT)	84.027	FY13	3,253 **
SPECIAL EDUCATION - GRANTS TO STATES (IDEA SUBGRANT)	84.027	FY14	1,000 **
			<u>4,253</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY 14	85
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 14	70,756 **
CAREER AND TECHINCAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	11,306
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 14	1,365
TOTAL			<u>\$ 1,174,361</u>

\* -Includes \$46,560 in non-cash awards.

\*\* - Total for Special Education Cluster (IDEA) is \$75,009.

**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**  
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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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 13, 2015.

**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 significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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-14 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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-14 and II-C-14 to be significant deficiencies.

**Compliance and Other Matters**

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

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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.

March 13, 2015  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
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(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 and on Internal Control over Compliance  
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, 2014. 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 of the major federal programs. 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, 2014.

**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-14 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-14 to be a significant deficiency.

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.

March 13, 2015  
Newton, Iowa

SOUTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiencies 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 and a significant deficiency in internal control over major programs were 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:
  - Title I Program
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
    - CFDA Number 84.010 - Title I (SINA - Schools in Need of Assistance)
  - Child Nutrition Cluster
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Service Program for Children
- (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, 2014

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-14 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 adjustments where possible.

Conclusion - Response accepted.

II-B-14 Agency Fund - We noted the District used a High School Principal's account within the Agency Fund to account for revenues and expenses associated with granting scholarships to former students of the District.

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 scholarship from the Private Purpose Trust Fund.

Conclusion - Response accepted.

II-C-14 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted instances of purchase orders not being completed or completed after the product had been ordered.

Recommendation - The advantage of using a purchase order system is that approval of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generate, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be review and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will review its procedures so all purchase orders are approved prior to placing orders.

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: 2014  
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: 2014  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of the internal control structure is the (2014-001) 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 adjustments where possible.

Conclusion - Response accepted.

III-B-14 Title I Reporting - We noted during our audit that Title I reports submitted to the Iowa (2014-002) Department of Education were not reconciled to actual expenses reported in the District's general ledger, this resulted in the District staff having to review expenses subsequent to year end to verify the District had expenses to support the Title I reports filed with the Iowa Department of Education.

Recommendation - The District should review the District's general ledger prior to final certification of the Title I budget to verify the expenses claimed are the actual expenditures incurred.

Response - The District will have the administration review the District's general ledger prior to the final certification of the Title I budget.

Conclusion - Response accepted.

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

IV-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amended certified budget amounts in the support services 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 published budget in the future if necessary.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements - We noted during our audit the District purchased gift cards as prizes for students as part of the Positive Behavior Intervention System. Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979. It was also noted that the District was paying stipends for part of employees cell phone bills, however the District does not have a policy in place to determine the proper use of the stipends. IRS publications indicate nonaccountable plans should be reported as additional compensation on the employee's W-2's.

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

Response - The District will review with the building administration that the purchase of gift cards is not an acceptable use of public funds and does not meet the public purpose. The District is in the process of creating a cell phone policy for District provided phones and will report the cell phone stipend on the employee's W2.

Conclusion - Response accepted.

IV-C-14 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-14 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- IV-H-14 Supplementary Weighting - We noted no variances in the supplementary weighting data certified to the Iowa Department of Education.
- IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-14 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, 2014, 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 2014 audit.

Beginning balance		\$ 1,680,214
Revenues:		
Sales tax revenues		<u>1,282,764</u>
		2,962,978
Expenditures/transfers out:		
Other	\$ 197,689	
Equipment	12,827	
Transfers to other funds:		
Debt service fund	<u>679,780</u>	<u>890,296</u>
Ending balance		<u>\$ 2,072,682</u>

For the year ended June 30, 2014, 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>\$ 2.07000</u>	<u>\$ 679,780</u>

IV-M-14 Financial Condition - At June 30, 2014, the General Fund had a deficit unassigned fund balance of \$317,074.

Recommendation - The District should continue to monitor this and investigate alternatives to eliminate the deficits balance.

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.

IV-N-14 Donations to Outside Organizations - We noted the Student Council account within the Student Activity Fund donated money to groups outside of the School District. Iowa Administrative rule 98.70(3) outlines inappropriate uses of student activity money and subsection (D) specifically prohibits payments to any outside organization unless a fundraiser was held expressly for that purpose and the purpose of the fundraiser was specifically identified.

Recommendation - The District should review its procedures to ensure compliance with Iowa Administrative rule 98.70(3).

Response - The District does have procedures in place that forms are to be filled out before a fundraiser is held and money is donated. We will review this with activity sponsors to make sure they are aware of the procedures.

Conclusion - Response accepted.