

STANTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Stanton Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--|----------------|---------------------|
| Board of Education (Before September 2003 Election) | | |
| Knute Hallquist | President | 2004 |
| Chris Nelson | Vice President | 2004 |
| David Brunning | Board Member | 2003 |
| Douglas Maher | Board Member | 2005 |
| Mark Lindgren | Board Member | 2005 |

| | | |
|---|----------------|------|
| Board of Education (After September 2003 Election) | | |
| Knute Hallquist | President | 2004 |
| David Brunning | Vice President | 2006 |
| Chris Nelson | Board Member | 2004 |
| Douglas Maher | Board Member | 2005 |
| Mark Lindgren | Board Member | 2005 |

| | | |
|-------------------------|--------------------|------|
| School Officials | | |
| Judd Ashley | Superintendent | 2004 |
| Carla F. Olson | District Secretary | 2004 |
| LaDonna Rossander | District Treasurer | 2004 |
| Swanson Law Firm | Attorney | 2004 |
| Sue Seitz | Attorney | 2004 |

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
Stanton Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Stanton Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Stanton Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, during the year ended June 30, 2004, Stanton Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2004, on our consideration of the Stanton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of

laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Stanton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another firm previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the year ended June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

August 19, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Stanton 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,996,043 in fiscal 2003 to \$2,079,705 in fiscal 2004, while General Fund expenditures also increased from \$1,908,663 in fiscal 2003 to \$1,946,699 in fiscal 2004. This resulted in an increase in the District's fund balance from \$376,713 in fiscal 2003 to \$509,719 in fiscal 2004, which was a 35% increase from the prior year.
- The increase in General Fund revenues is attributable in part to receiving a FRED (Foundation for Rural Education and Development) Grant of \$10,000, REAP Grant for \$33,289, Title IIA Federal Teacher Quality Grant of \$13,419, and Special Education Part B Grant of \$9,712, for a total of \$66,420. The Board also approved a Budget Guarantee of \$25,000 so the shortfall in state funding due to declining enrollment would be replaced by property taxes. This year the school also received Medicaid reimbursement of \$40,023, which helped to offset what would have been a deficit in the funding of the special education program.
- Numbers of students open enrolling into the Stanton Community School District continue to have a positive impact on miscellaneous income, with the September count date in 2002 showing 55 students in and 6 out and count date in September 2003 having 63 in and 7 out.
- Using 25% of Local Option Sales and Service Tax income for infrastructure purposes has allowed reallocation of some Operating Fund monies for use in areas other than property improvements. Asphaltting the school parking lot was paid for with LOSST monies.
- Board approval to use 75% of Local Option Sales and Service Tax income toward payment of outstanding General Obligation Bond indebtedness has helped to reduce the property tax rate for patrons.
- The District reduced its outstanding long-term debt by \$95,000 this fiscal year, leaving a principal balance of \$300,000 to be paid through 2007.
- During the year ended June 30, 2004 the State of Iowa imposed a 2.5 percent across-the-board reduction in State Foundation Aid and some categorical funding, which reduced the General Fund revenues by \$23,038. The District responded to the reduction by reducing expenditures where possible.
- In June the Governor rescinded 10% of the across-the-board reduction, which changed it from 2.5% to 2.25% and restoration payments of \$2,361 were received.

- A decline in interest rates during the past three fiscal years combined with less cash available for investing resulted in interest earnings in the General Fund alone dropping from \$7,161 in 2003 to \$5,215 in 2004.

USING THIS ANNUAL REPORT

This report consists of three parts: management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the Government-wide statements.
- The governmental funds statements explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationship in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section or required supplementary information that further explains and supports the financial statements with a comparison on the District’s budget for the year.

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

Figure A-1
Stanton Community School District Annual Financial Report

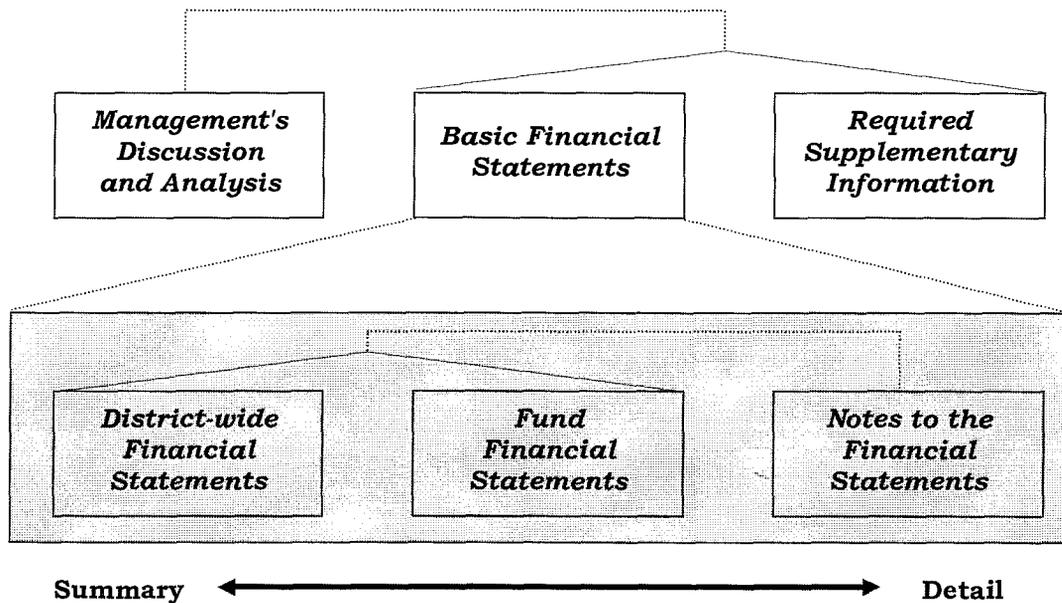


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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:

- *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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

- The District's governmental funds include the General Fund; Special Revenue Funds; Debt Service Fund and the Capital Projects Fund.
- *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 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.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

| | Governmental Activities 2004 | Business-type Activities 2004 | Total School District 2004 |
|--|------------------------------------|-------------------------------------|----------------------------------|
| Current and other assets | \$ 1,686,397 | 15,247 | 1,701,644 |
| Capital assets | 1,171,506 | 18,895 | 1,190,401 |
| Total assets | <u>2,857,903</u> | <u>34,142</u> | <u>2,892,045</u> |
| Long-term obligations | 300,000 | 0 | 300,000 |
| Other liabilities | 932,334 | 3,772 | 936,106 |
| Total liabilities | <u>1,232,334</u> | <u>3,772</u> | <u>1,236,106</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 927,700 | 18,895 | 946,595 |
| Restricted | 248,908 | 0 | 248,908 |
| Unrestricted | 447,898 | 11,475 | 459,373 |
| Total net assets | <u>\$ 1,624,506</u> | <u>30,370</u> | <u>1,654,876</u> |

The District's improved financial position is the product of many factors. Approval of several grants and Medicaid funding resulted in an increase in revenues. The District's also made efforts to control expenditures to avoid having to use carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4

Changes of Net Assets

| | Governmental | Business-type | Total |
|--|------------------|----------------|------------------|
| | Activities | Activities | School District |
| | 2004 | 2004 | 2004 |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 480,786 | 61,721 | 542,507 |
| Operating grants and contributions and restricted interest | 288,004 | 40,618 | 328,622 |
| General revenues: | | | |
| Property tax | 734,565 | 0 | 734,565 |
| Local option sales and service tax | 104,882 | 0 | 104,882 |
| Unrestricted state grants | 810,888 | 0 | 810,888 |
| Unrestricted investment earnings | 6,809 | 54 | 6,863 |
| Total revenues | <u>2,425,934</u> | <u>102,393</u> | <u>2,528,327</u> |
| Program expenses: | | | |
| Governmental activities: | | | |
| Instructional | 1,439,267 | 0 | 1,439,267 |
| Support services | 634,041 | 0 | 634,041 |
| Non-instructional programs | 2,518 | 102,066 | 104,584 |
| Other expenses | 125,427 | 0 | 125,427 |
| Total expenses | <u>2,201,253</u> | <u>102,066</u> | <u>2,303,319</u> |
| Change in net assets | \$ 224,681 | 327 | 225,008 |

Property tax and unrestricted state grants (state aid and instructional support state aid) account for 64% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 94% of the total expenses.

Governmental Activities

Total revenues for all of the Districts' governmental activities were \$2,425,934, an increase of 3.7% over the prior year. Total expenses for all of the Districts' governmental activities were \$2,201,253, a decrease of 7.7% from the prior year. In a difficult budget year, the District did a remarkable job trimming expenses to match available revenues.

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. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$30,043 in fiscal 2003 to \$30,370 in fiscal 2004, representing a increase of approximately 1.3 percent. Major improvements were financed by the Nutrition Fund this year, which included the purchase of a walk-in freezer, two hot lunch tables, a disposal, and a washer/dryer for use by kitchen staff.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. 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 budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared in the Cash basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional expenditures associated with the previously stated purchases of School Nutrition Fund equipment.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the timing of disbursements paid.

Legal Budgetary Highlights

- The District's total actual cash receipts for governmental funds were \$2,444,378, compared to the budgeted amount of \$2,383,014, which is approximately \$55,391 more than budgeted. The most significant area was in General Fund federal income, with the receipt of \$40,023 in Medicaid revenue and also approximately \$4,700 received for the remainder of a STAR Schools Grant.
- The District's proprietary Hot Lunch Fund cash receipts were \$102,545, which was \$3,695 more than the budgeted amount of \$98,850, or a variance of 3.7%
- Total cash expenditures for governmental funds were \$2,279,436, as compared to the budgeted expenditure figure for those funds of \$2,459,356. Along with the District's successful efforts to control expenditures, a portion of that savings was due to having budgeted \$35,800 toward the purchase of a bus and the bus will not be purchased until the 2004-2005 fiscal year.
- The District's non-instructional programs budget was amended from \$104,435 to actual \$118,000 to allow for the purchase of equipment as previously stated, and the total actual cash expenditures for that fund were \$111,364.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2004, the District had invested governmental funds of \$1,171,506, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, and transportation equipment. (See Figure A-6). Excluding depreciation, the District has \$2,185,892 invested in governmental fund capital assets, which represents a decrease of \$587,043, or 21 percent from June 30, 2003. Depreciation expense for the year was \$75,634.

In comparing fiscal 2004 to fiscal 2003, the largest change in capital assets activity occurred in land improvements, with payment of the previously mentioned asphaltting of the school parking lot at a cost of \$47,284. Additions of machinery and equipment values at over \$1,500 per item included a Viking sewing machine, Powerbook computer, and score table for the gym.

Accumulated depreciation under GASB 34 at year end totaled \$1,014,386 for governmental funds, and this figure includes \$71,687 for the current year.

The Proprietary, or School Nutrition Fund, has a total of \$18,895, net of accumulated depreciation, invested in capital assets. Excluding depreciation, the District has invested a total of \$33,689 in capital assets.

More detailed information about capital assets is available in Note 4 to the financial statements.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental | Business-type | Total |
|-----------------------------------|--------------|---------------|-----------------|
| | Activities | Activities | School District |
| | 2004 | 2004 | 2004 |
| Land | \$ 52,726 | 0 | 52,726 |
| Buildings | 997,394 | 0 | 997,394 |
| Improvements other than buildings | 53,005 | 0 | 53,005 |
| Machinery and equipment | 68,381 | 18,895 | 87,276 |
| Total | \$ 1,171,506 | 18,895 | 1,190,401 |

Long-Term Debt

At year-end, the District had \$300,000 in general obligation debt outstanding. This represents a decrease of approximately 24% from last year's balance of \$395,000. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

| | Total School District | | Total Change |
|--------------------------|-----------------------|---------|-----------------|
| | 2004 | 2003 | |
| General obligation bonds | \$ 300,000 | 395,000 | -24.1% |
| Totals | \$ 300,000 | 395,000 | -24.1% |

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:

- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes where possible. Due to declining enrollment, the District has not received any new money for the past three years, and the state legislatures rollback in the budget guarantee will continue to have a negative impact on funding for the District.
- Health insurance costs have skyrocketed in recent years and it appears that trend will continue. Potential substantial increases in utilities and gasoline/diesel fuel would also impact the District's efforts to control expenditures.
- 2004-05 will be the first year of a two year contract with Stanton Education Association, with the cost settlement set at a 3.85% package.
- Passage of a change in language for use of one cent Local Option Sales and Service Tax monies will now allow the District to use these funds to purchase buses and equipment costing over \$500. This will be very beneficial for the District to have use of these funds to purchase buses and technology equipment.
- A significant number of students open enrolled into the Stanton School District and relatively few open enrolled out currently has a substantially positive impact on funding. The goal of the District is to continue providing a top quality educational program with high student expectations in all areas so Stanton Community School will continue to be an excellent school where all children can succeed.

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 Carla Olson, Board Secretary, Stanton Community School District, 605 Elliott Street, Stanton, IA 51573.

BASIC FINANCIAL STATEMENTS

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|------------------|
| ASSETS | | | |
| Cash and cash equivalents: | | | |
| Other | 969,004 | 12,047 | 981,051 |
| Receivables | | | |
| Property tax: | | | |
| Delinquent | 7,065 | 0 | 7,065 |
| Succeeding year | 627,871 | 0 | 627,871 |
| Income surtax | 58,963 | 0 | 58,963 |
| Accounts | 673 | 0 | 673 |
| Due from other governments | 22,821 | 0 | 22,821 |
| Inventories | 0 | 3,200 | 3,200 |
| Capital assets, net of accumulated depreciation (Note 5) | 1,171,506 | 18,895 | 1,190,401 |
| TOTAL ASSETS | 2,857,903 | 34,142 | 2,892,045 |
| LIABILITIES | | | |
| Accounts payable | 35,961 | 0 | 35,961 |
| Salaries and benefits payable | 189,719 | 2,713 | 192,432 |
| Due to other governments | 19,820 | 0 | 19,820 |
| Accrued interest payable | 1,063 | 0 | 1,063 |
| Deferred revenue: | | | |
| Succeeding year property tax | 627,871 | 0 | 627,871 |
| Income surtax | 58,963 | 0 | 58,963 |
| Other | 0 | 1,059 | 1,059 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds payable | 95,000 | 0 | 95,000 |
| Portion due after one year: | | | |
| General obligation bonds payable | 205,000 | 0 | 205,000 |
| TOTAL LIABILITIES | 1,233,397 | 3,772 | 1,237,169 |
| NET ASSETS | | | |
| Investment in capital assets, net of related debt | 927,700 | 18,895 | 946,595 |
| Restricted for: | | | |
| Talented and Gifted | 13,566 | 0 | 13,566 |
| Management levy | 95,671 | 0 | 95,671 |
| Physical plant and equipment levy | 30,746 | 0 | 30,746 |
| Other special revenue purposes | 108,925 | 0 | 108,925 |
| Unrestricted | 447,898 | 11,475 | 459,373 |
| TOTAL NET ASSETS | \$ 1,624,506 | 30,370 | 1,654,876 |

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

| Functions/Programs | Program Revenues | | |
|---|---------------------|----------------------|---|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest |
| Governmental activities: | | | |
| Instruction: | | | |
| Regular instruction | \$ 903,071 | 442,099 | 211,191 |
| Special instruction | 187,114 | 38,687 | 0 |
| Other instruction | 349,082 | 0 | 0 |
| | <u>1,439,267</u> | <u>480,786</u> | <u>211,191</u> |
| Support services: | | | |
| Student services | 59,664 | 0 | 0 |
| Instructional staff services | 10,095 | 0 | 0 |
| Administration services | 293,080 | 0 | 0 |
| Operation and maintenance of plant services | 176,144 | 0 | 0 |
| Transportation services | 85,896 | 0 | 315 |
| Central services | 9,162 | 0 | 0 |
| | <u>634,041</u> | <u>0</u> | <u>315</u> |
| Non-instructional programs | <u>2,518</u> | <u>0</u> | <u>0</u> |
| Other expenditures: | | | |
| Facilities acquisitions | 0 | 0 | 3,500 |
| Long-term debt interest | 16,695 | 0 | 0 |
| AEA flowthrough | 72,998 | 0 | 72,998 |
| Depreciation(unallocated) * | 35,431 | 0 | 0 |
| | <u>125,124</u> | <u>0</u> | <u>76,498</u> |
| Total governmental activities | <u>2,200,950</u> | <u>480,786</u> | <u>288,004</u> |
| Business-Type activities: | | | |
| Non-instructional programs: | | | |
| Nutrition services | 102,066 | 61,721 | 40,618 |
| Total business-type activities | <u>102,066</u> | <u>61,721</u> | <u>40,618</u> |
| Total | <u>\$ 2,303,016</u> | <u>542,507</u> | <u>328,622</u> |

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Local option sales and services
 Unrestricted state grants
 Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 9)

Net assets end of year

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

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|-------------|
| Governmental Activities | Business-Type Activities | Total |
| (249,781) | 0 | (249,781) |
| (148,427) | 0 | (148,427) |
| (349,082) | 0 | (349,082) |
| (747,290) | 0 | (747,290) |
| (59,664) | 0 | (59,664) |
| (10,095) | 0 | (10,095) |
| (293,080) | 0 | (293,080) |
| (176,144) | 0 | (176,144) |
| (85,581) | 0 | (85,581) |
| (9,162) | 0 | (9,162) |
| (633,726) | 0 | (633,726) |
| (2,518) | | (2,518) |
| 3,500 | 0 | 3,500 |
| (16,695) | 0 | (16,695) |
| 0 | 0 | 0 |
| (35,431) | 0 | (35,431) |
| (48,626) | 0 | (48,626) |
| (1,432,160) | 0 | (1,432,160) |
| 0 | 273 | 273 |
| 0 | 273 | 273 |
| (1,432,160) | 273 | (1,431,887) |
| \$ 677,564 | 0 | 677,564 |
| 41,436 | 0 | 41,436 |
| 15,565 | 0 | 15,565 |
| 104,882 | 0 | 104,882 |
| 810,888 | 0 | 810,888 |
| 6,809 | 54 | 6,863 |
| 1,657,144 | 54 | 1,657,198 |
| 224,984 | 327 | 225,311 |
| 1,399,522 | 30,043 | 1,429,565 |
| \$ 1,624,506 | 30,370 | 1,654,876 |

STANTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

| | General | Other Nonmajor Governmental Funds | Total |
|--|---------------------|--|------------------|
| ASSETS | | | |
| Cash and pooled investments: | | | |
| Other | 741,716 | 227,288 | 969,004 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 6,145 | 920 | 7,065 |
| Succeeding year | 545,530 | 82,341 | 627,871 |
| Income surtax | 58,963 | 0 | 58,963 |
| Accounts | 469 | 204 | 673 |
| Due from other governments | 6,613 | 16,208 | 22,821 |
| TOTAL ASSETS | \$ 1,359,436 | 326,961 | 1,686,397 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 35,685 | 276 | 35,961 |
| Salaries and benefits payable | 189,719 | 0 | 189,719 |
| Due to other governments | 19,820 | 0 | 19,820 |
| Deferred revenue: | | | |
| Succeeding year property tax | 545,530 | 82,341 | 627,871 |
| Income surtax | 58,963 | 0 | 58,963 |
| Total liabilities | 849,717 | 82,617 | 932,334 |
| Fund balances: | | | |
| Reserved for: | | | |
| Talented and Gifted | 13,566 | 0 | 13,566 |
| Unreserved: | | | |
| Designated for special purpose | 11,294 | 0 | 11,294 |
| Undesignated | 484,859 | 244,344 | 729,203 |
| Total fund balances | 509,719 | 244,344 | 754,063 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,359,436 | 326,961 | 1,686,397 |

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

| | |
|--|---------------------|
| Total fund balances of governmental funds (page 17) | \$ 754,063 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. | 1,171,506 |
| 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. | (1,063) |
| Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(300,000)</u> |
| Net assets of governmental activites (page 14) | <u>\$ 1,624,506</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

| | General | Other Nonmajor Governmental Funds | Total |
|--|-------------------|--|------------------|
| REVENUES: | | | |
| Local sources: | | | |
| Local tax | \$ 646,610 | 192,837 | 839,447 |
| Tuition | 288,017 | 0 | 288,017 |
| Other | 49,686 | 149,892 | 199,578 |
| State sources | 964,363 | 0 | 964,363 |
| Federal sources | 131,029 | 0 | 131,029 |
| Total revenues | <u>2,079,705</u> | <u>342,729</u> | <u>2,422,434</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular instruction | 882,467 | 10,460 | 892,927 |
| Special instruction | 186,612 | 0 | 186,612 |
| Other instruction | 212,759 | 136,360 | 349,119 |
| | <u>1,281,838</u> | <u>146,820</u> | <u>1,428,658</u> |
| Support services: | | | |
| Student services | 58,727 | 0 | 58,727 |
| Instructional staff services | 9,633 | 0 | 9,633 |
| Administration services | 283,110 | 8,631 | 291,741 |
| Operation and maintenance of plant services | 164,881 | 8,477 | 173,358 |
| Transportation services | 64,550 | 5,067 | 69,617 |
| Central services | 9,162 | 0 | 9,162 |
| | <u>590,063</u> | <u>22,175</u> | <u>612,238</u> |
| Non-instructional programs | 1,800 | 718 | 2,518 |
| Other expenditures: | | | |
| Facilities acquisitions | 0 | 49,206 | 49,206 |
| Long-term debt: | | | |
| Principal | 0 | 95,000 | 95,000 |
| Interest and fiscal charges | 0 | 16,998 | 16,998 |
| AEA flowthrough | 72,998 | 0 | 72,998 |
| | <u>72,998</u> | <u>161,204</u> | <u>234,202</u> |
| Total expenditures | <u>1,946,699</u> | <u>330,917</u> | <u>2,277,616</u> |
| Excess of revenues over expenditures | 133,006 | 11,812 | 144,818 |
| Other financing sources (uses): | | | |
| Transfers in | 0 | 69,998 | 69,998 |
| Transfers out | 0 | (69,998) | (69,998) |
| Total other financing sources (uses) | <u>0</u> | <u>0</u> | <u>0</u> |
| Net change in fund balances | 133,006 | 11,812 | 144,818 |
| Fund balance beginning of year, as restated (Note 9) | 376,713 | 232,532 | 609,245 |
| Fund balance end of year | <u>\$ 509,719</u> | <u>244,344</u> | <u>754,063</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2004

Net change in fund balances - total governmental funds(page 19) \$ 144,818

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

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

| | | |
|----------------------|-----------------|----------|
| Capital outlays | \$ 56,550 | |
| Depreciation expense | <u>(71,687)</u> | (15,137) |

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

| | | |
|--------|---------------|--|
| Repaid | <u>95,000</u> | |
|--------|---------------|--|

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.

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Changes in net assets of governmental activities(page 16) \$ 224,984

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

| | <u>School Nutrition</u> |
|---|-----------------------------|
| ASSETS | |
| Cash and pooled investments | \$ 12,047 |
| Inventories | 3,200 |
| Capital assets, net of accumulated depreciation | 18,895 |
| Total assets | <u>34,142</u> |
| LIABILITIES | |
| Salaries and benefits payable | 2,713 |
| Deferred Revenue | 1,059 |
| Total liabilities | <u>3,772</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 18,895 |
| Unrestricted | 11,475 |
| Total net assets | <u>\$ 30,370</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

| | School Nutrition |
|------------------------------|---------------------|
| OPERATING REVENUE: | |
| Local sources: | |
| Charges for services | \$ 61,721 |
| TOTAL OPERATING REVENUES | 61,721 |
| OPERATING EXPENSES: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 36,799 |
| Benefits | 4,833 |
| Services | 76 |
| Supplies | 58,411 |
| Depreciation | 1,947 |
| TOTAL OPERATING EXPENSES | 102,066 |
| OPERATING LOSS | (40,345) |
| NON-OPERATING REVENUES: | |
| State sources | 1,819 |
| Federal sources | 38,799 |
| Interest on investments | 54 |
| TOTAL NON-OPERATING REVENUES | 40,672 |
| Change in net assets | 327 |
| Net assets beginning of year | 30,043 |
| Net assets end of year | \$ 30,370 |

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

| | School Nutrition |
|--|---------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 61,643 |
| Cash received from miscellaneous operating activities | 230 |
| Cash payments to employees for services | (41,301) |
| Cash payments to suppliers for goods or services | (54,228) |
| Net cash used in operating activities | (33,656) |
| Cash flows from non-capital financing activities: | |
| State grants received | 1,819 |
| Federal grants received | 32,826 |
| Net cash provided by non-capital financing activities | 34,645 |
| Cash flows from capital and related financing activities: | |
| Purchase of capital assets | (15,835) |
| Net cash used in capital and related financing activities | (15,835) |
| Cash flows from investing activities: | |
| Interest on investments | 54 |
| Net cash provided by investing activities | 54 |
| Net decrease in cash and cash equivalents | (14,792) |
| Cash and cash equivalents at beginning of year | 26,839 |
| Cash and cash equivalents at end of year | \$ 12,047 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (40,345) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities consumed | 5,973 |
| Depreciation | 1,947 |
| Increase in inventories | (442) |
| Decrease in accounts payable | (1,272) |
| Increase in salaries and benefits payable | 331 |
| Increase in deferred revenue | 152 |
| Net cash used in operating activities | \$ (33,656) |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET: | |
| Current assets: | |
| Cash and pooled investments | \$ 12,047 |
| NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES: | |

During the year ended June 30, 2004, the District received Federal commodities valued at \$5,973.

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2004

| | Private Purpose Trust Scholarship |
|-----------------------------|---|
| Assets | |
| Cash and pooled investments | \$ 47,730 |
| Accrued interest receivable | 525 |
| Total assets | <u>48,255</u> |
| Liabilities | |
| Total liabilities | <u>0</u> |
| Net assets | |
| Unreserved: | |
| Undesignated | <u>\$ 48,255</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2004

| | <u>Private Purpose Trust Scholarship</u> |
|------------------------------|--|
| Additions: | |
| Local sources: | |
| Gifts and Contributions | \$ 2,500 |
| Interest Income | 1,091 |
| Total additions | <u>3,591</u> |
| Deductions: | |
| Support services: | |
| Scholarships awarded | <u>4,668</u> |
| Change in net assets | (1,077) |
| Net assets beginning of year | <u>49,332</u> |
| Net assets end of year | <u>\$ 48,255</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The Stanton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Stanton, Iowa, and the predominate agricultural territory in Page and Montgomery 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, Stanton Community School District has included all funds, organizations, account groups, 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 Stanton 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 Montgomery and Page County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

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 District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

| Asset Class | Amount |
|-----------------------------------|----------|
| Land | \$ 1,500 |
| Buildings | 1,500 |
| Improvements other than buildings | 1,500 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

| Asset Class | Useful Lives (In Years) |
|-----------------------------------|----------------------------|
| Buildings | 50 years |
| Improvements other than buildings | 20 years |
| Machinery and equipment | 5-20 years |

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004 expenditures in the non-instructional functional program area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investments are all category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

The District's investments at June 30, 2004 are as follows:

| Type | Fair Value |
|-------------------------|------------|
| Certificates of deposit | \$ 25,000 |

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

| Transfer to | Transfer from | Amount |
|--------------|------------------|------------------|
| Debt Service | Capital Projects | <u>\$ 69,998</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

| | Balance Beginning of Year, as restated (Note 9) | Increases | Decreases | Balance End of Year |
|--|--|-----------------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 52,726 | 0 | 0 | 52,726 |
| Total capital assets not being depreciated | <u>52,726</u> | <u>0</u> | <u>0</u> | <u>52,726</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 1,589,754 | 1,922 | 0 | 1,591,676 |
| Improvements other than buildings | 23,888 | 35,064 | 0 | 58,952 |
| Furniture and equipment | 462,974 | 19,564 | 0 | 482,538 |
| Total capital assets being depreciated | <u>2,076,616</u> | <u>56,550</u> | <u>0</u> | <u>2,133,166</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 562,410 | 35,431 | 0 | 597,841 |
| Improvements other than buildings | 2,388 | 0 | 0 | 2,388 |
| Furniture and equipment | 377,901 | 36,256 | 0 | 414,157 |
| Total accumulated depreciation | <u>942,699</u> | <u>71,687</u> | <u>0</u> | <u>1,014,386</u> |
| Total capital assets being depreciated, net | <u>1,133,917</u> | <u>(15,137)</u> | <u>0</u> | <u>1,118,780</u> |
| Governmental activities capital assets, net | <u>\$ 1,186,643</u> | <u>(15,137)</u> | <u>0</u> | <u>1,171,506</u> |
| | | | | |
| | Balance Beginning Of Year | Increases | Decreases | Balance End of Year |
| Business-type activities: | | | | |
| Furniture and equipment | \$ 15,854 | 17,835 | 0 | 33,689 |
| Less accumulated depreciation | 10,847 | 3,947 | 0 | 14,794 |
| Business-type activities capital assets, net | <u>\$ 5,007</u> | <u>13,888</u> | <u>0</u> | <u>18,895</u> |

Depreciation expense was charged by the District as follows:

| | | |
|---|--|------------------|
| Governmental activities: | | |
| Instruction: | | |
| Regular | | \$ 10,143 |
| Special | | 505 |
| Other | | 3,807 |
| Support services: | | |
| Student Support | | 937 |
| Instructional Staff | | 462 |
| Administration | | 1,338 |
| Operation and maintenance of plant | | 2,786 |
| Transportation | | 16,278 |
| | | <u>36,256</u> |
| Unallocated depreciation | | <u>35,431</u> |
| | | <u>\$ 71,687</u> |
| Business-type activities: | | |
| Food services | | \$ 3,947 |
| Total business-type activities depreciation expense | | <u>\$ 3,947</u> |

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

| | Balance | | | Balance | Due |
|--------------------------|------------|-----------|------------|---------|----------|
| | Beginning | | | End | Within |
| | of Year | Additions | Reductions | of Year | One Year |
| General obligation bonds | \$ 395,000 | 0 | 95,000 | 300,000 | 95,000 |

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

| Year | Bond issue dated December 1, 1998 | | | |
|----------|-----------------------------------|------------|----------|---------|
| | Ending | Interest | | |
| June 30, | Rates | Principal | Interest | Total |
| 2005 | 4.20 | \$ 95,000 | 12,755 | 107,755 |
| 2006 | 4.25 | 100,000 | 8,765 | 108,765 |
| 2007 | 4.30 | 105,000 | 4,515 | 109,515 |
| Total | | \$ 300,000 | 26,035 | 326,035 |

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years

ended June 30, 2004, 2003, and 2002 were \$71,191, \$70,364, \$70,992, respectively, equal to the required contributions for each year.

(7) Risk Management

Stanton Community School District is a member in the Iowa School Employee Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employee Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA funds current operation and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$144,614.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Stanton 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.

(8) 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 \$72,998 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Accounting Change and Restatements

Governmental Accounting Standards Board(GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absences and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board(GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include Government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$2,716,385 were restated to \$2,129,342. The restatement primarily removed assets below the District's capitalizations threshold.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

| | Fund | | |
|---|-------------------|--|---------------------|
| | General | Other Nonmajor Governmental Funds | Total |
| Net assets, June 30, 2003, as previously reported | \$ 376,713 | 281,864 | 658,577 |
| Reclassify Expendable Trust Account as Fiduciary Private Purpose Trust | 0 | (49,332) | (49,332) |
| Net assets, July 1, 2003, as restated for governmental funds | <u>\$ 376,713</u> | <u>232,532</u> | 609,245 |
| GASB 34 adjustments: | | | |
| Capital assets, net of accumulated depreciation of \$942,699 | | | 1,186,643 |
| Long-term liabilities: | | | |
| Bonds | | 395,000 | (395,000) |
| Net assets, July 1, 2003, as restated | | | <u>\$ 1,400,888</u> |

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional are level. During the year ended June 30, 2004, disbursements in the non-instructional functional program area exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

| | Governmental Fund Types Actual | Proprietary Fund Type Actual |
|---|--------------------------------------|------------------------------------|
| Receipts: | | |
| Local sources | \$ 1,331,034 | 61,927 |
| State sources | 964,163 | 1,819 |
| Federal sources | 149,181 | 38,799 |
| Total revenues | <u>2,444,378</u> | <u>102,545</u> |
| Disbursements: | | |
| Instruction | 1,426,529 | 0 |
| Support services | 616,187 | 0 |
| Non-instructional programs | 2,518 | 117,337 |
| Other expenditures | 234,202 | 0 |
| Total expenditures | <u>2,279,436</u> | <u>117,337</u> |
| Excess(deficiency) of receipts over(under) disbursements | 164,942 | (14,792) |
| Other financing sources, net | <u>0</u> | <u>0</u> |
| Excess(deficiency) of receipts over(under) disbursements | 164,942 | (14,792) |
| Balance beginning of year | <u>804,062</u> | <u>26,839</u> |
| Balance end of year | <u>\$ 969,004</u> | <u>12,047</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

| Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|------------------|------------------|------------------|--|
| | Original | Final | |
| 1,392,961 | 1,370,423 | 1,370,423 | 22,538 |
| 965,982 | 1,000,441 | 1,000,441 | (34,459) |
| 187,980 | 111,000 | 111,000 | 76,980 |
| <u>2,546,923</u> | <u>2,481,864</u> | <u>2,481,864</u> | <u>65,059</u> |
| 1,426,529 | 1,513,000 | 1,513,000 | 86,471 |
| 616,187 | 681,115 | 681,115 | 64,928 |
| 119,855 | 104,435 | 118,000 | (1,855) |
| 234,202 | 265,241 | 265,241 | 31,039 |
| <u>2,396,773</u> | <u>2,563,791</u> | <u>2,577,356</u> | <u>180,583</u> |
| 150,150 | (81,927) | (95,492) | (245,642) |
| 0 | 500 | 500 | 500 |
| 150,150 | (81,427) | (94,992) | (245,142) |
| 830,901 | 735,200 | 735,200 | 95,701 |
| <u>981,051</u> | <u>653,773</u> | <u>640,208</u> | <u>340,843</u> |

STANTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

| | Governmental Funds | | |
|------------------------------|--------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 2,444,378 | (21,944) | 2,422,434 |
| Expenditures | 2,279,436 | (1,820) | 2,277,616 |
| Net | 164,942 | (20,124) | 144,818 |
| Other financing sources, net | 0 | 0 | 0 |
| Beginning fund balances | 804,062 | (194,817) | 609,245 |
| Ending fund balances | \$ 969,004 | (214,941) | 754,063 |

| | Proprietary Fund Enterprise | | |
|------------------------------|--------------------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 102,545 | (152) | 102,393 |
| Expenditures | 117,337 | (15,271) | 102,066 |
| Net | (14,792) | 15,119 | 327 |
| Other financing sources, net | 0 | 0 | 0 |
| Beginning fund balances | 26,839 | 3,204 | 30,043 |
| Ending fund balances | \$ 12,047 | 18,323 | 30,370 |

STANTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$13,565.

During the year ended June 30, 2004, disbursements in the non-instructional function exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

| | Special Revenue Funds | | | | | | |
|--------------------------------------|-----------------------|---------------------|--|-----------------------------|-----------------|---------------------|--|
| | Manage- ment | Student Activity | Physical Plant and Equipment Levy | Total Special Revenue | Debt Service | Capital Projects | Total Nonmajor Governmental Funds |
| ASSETS | | | | | | | |
| Cash and pooled investments | \$ 95,143 | 60,946 | 30,583 | 186,672 | 520 | 40,096 | 227,288 |
| Receivables: | | | | | | | |
| Property tax: | | | | | | | |
| Current year delinquent | 324 | 0 | 163 | 487 | 433 | 0 | 920 |
| Succeeding year | 33,000 | 0 | 14,186 | 47,186 | 35,155 | 0 | 82,341 |
| Accounts | 204 | 0 | 0 | 204 | 0 | 0 | 204 |
| Due from other governments | 0 | 0 | 0 | 0 | 0 | 16,208 | 16,208 |
| TOTAL ASSETS | \$ 128,671 | 60,946 | 44,932 | 234,549 | 36,108 | 56,304 | 326,961 |
| LIABILITIES AND FUND EQUITY | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 0 | 276 | 0 | 276 | 0 | 0 | 276 |
| Deferred revenue: | | | | | | | |
| Succeeding year property tax | 33,000 | 0 | 14,186 | 47,186 | 35,155 | 0 | 82,341 |
| Total Liabilities | 33,000 | 276 | 14,186 | 47,462 | 35,155 | 0 | 82,617 |
| Fund equity: | | | | | | | |
| Fund balances: | | | | | | | |
| Unreserved: | | | | | | | |
| Undesignated | 95,671 | 60,670 | 30,746 | 187,087 | 953 | 56,304 | 244,344 |
| Total fund balances | 95,671 | 60,670 | 30,746 | 187,087 | 953 | 56,304 | 244,344 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 128,671 | 60,946 | 44,932 | 234,549 | 36,108 | 56,304 | 326,961 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

| | Special Revenue Funds | | | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|---------------------|--|-----------------------------|-----------------|---------------------|--|
| | Manage- ment | Student Activity | Physical Plant and Equipment Levy | Total Special Revenue | Debt Service | Capital Projects | |
| REVENUES: | | | | | | | |
| Local sources: | | | | | | | |
| Local tax: | \$ 30,954 | 0 | 15,565 | 46,519 | 41,436 | 104,882 | 192,837 |
| Other | 1,033 | 148,553 | 107 | 149,693 | 199 | 0 | 149,892 |
| TOTAL REVENUES | 31,987 | 148,553 | 15,672 | 196,212 | 41,635 | 104,882 | 342,729 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| Instruction: | | | | | | | |
| Regular instruction | 10,460 | 0 | 0 | 10,460 | 0 | 0 | 10,460 |
| Other instruction | 0 | 136,360 | 0 | 136,360 | 0 | 0 | 136,360 |
| Support services: | | | | | | | |
| Administration services | 8,631 | 0 | 0 | 8,631 | 0 | 0 | 8,631 |
| Operation and maintenance of plant services | 8,477 | 0 | 0 | 8,477 | 0 | 0 | 8,477 |
| Student transportation | 5,067 | 0 | 0 | 5,067 | 0 | 0 | 5,067 |
| Non-instructional programs | 718 | 0 | 0 | 718 | 0 | 0 | 718 |
| Other expenditures: | | | | | | | |
| Facilities acquisitions | 0 | 0 | 0 | 0 | 0 | 49,206 | 49,206 |
| Long-term debt: | | | | | | | |
| Principal | 0 | 0 | 0 | 0 | 95,000 | 0 | 95,000 |
| Interest and fiscal charges | 0 | 0 | 0 | 0 | 16,998 | 0 | 16,998 |
| TOTAL EXPENDITURES | 33,353 | 136,360 | 0 | 169,713 | 111,998 | 49,206 | 330,917 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,366) | 12,193 | 15,672 | 26,499 | (70,363) | 55,676 | 11,812 |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers in | 0 | 0 | 0 | 0 | 69,998 | 0 | 69,998 |
| Transfers out | 0 | 0 | 0 | 0 | 0 | (69,998) | (69,998) |
| Total other financing sources (uses) | 0 | 0 | 0 | 0 | 69,998 | (69,998) | 0 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | (1,366) | 12,193 | 15,672 | 26,499 | (365) | (14,322) | 11,812 |
| FUND BALANCE BEGINNING OF YEAR, AS RESTATED (NOTE 12) | 97,037 | 48,477 | 15,074 | 160,588 | 1,318 | 70,626 | 232,532 |
| FUND BALANCE END OF YEAR | \$ 95,671 | 60,670 | 30,746 | 187,087 | 953 | 56,304 | 244,344 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|---------------------------------|---------------------------------|----------------|-------------------|---------------------------|
| Interest on Investments | \$ 15,265 | 255 | 0 | 15,520 |
| School Play | 910 | 693 | 443 | 1,160 |
| Musical Events | 7,571 | 22,358 | 19,550 | 10,379 |
| Elementary Music | 2,214 | 886 | 743 | 2,357 |
| Band Repair | (1,182) | 963 | 1,297 | (1,516) |
| Basketball | 20,722 | 8,187 | 8,201 | 20,708 |
| Baseball | (10,719) | 5,832 | 5,064 | (9,951) |
| Track | (12,589) | 6,812 | 4,592 | (10,369) |
| Football/Volleyball Fundraisers | 0 | 4,002 | 1,927 | 2,075 |
| Football | 1,056 | 12,264 | 11,570 | 1,750 |
| Volleyball | 2,862 | 7,928 | 3,851 | 6,939 |
| Class of 2004 | 4,050 | 192 | 4,242 | 0 |
| Class of 2005 | 541 | 11,226 | 8,854 | 2,913 |
| Class of 2006 | 1,000 | 1,372 | 945 | 1,427 |
| Class of 2007 | 1,047 | 320 | 319 | 1,048 |
| Class of 2008 | 130 | 140 | 0 | 270 |
| Class of 2009 | 0 | 130 | 0 | 130 |
| Class Gifts | 2,307 | 22 | 0 | 2,329 |
| Declam | (8,965) | 6 | 261 | (9,220) |
| Future Farmers | 2,868 | 9,687 | 8,899 | 3,656 |
| FCCLA | (1,219) | 11,098 | 11,310 | (1,431) |
| Math Club | 130 | 0 | 0 | 130 |
| National Honor Society | 724 | 324 | 523 | 525 |
| Peer/Quest | 32 | 0 | 0 | 32 |
| Pep Club | 1,419 | 3,039 | 2,542 | 1,916 |
| Cheerleaders | 889 | 6,133 | 5,774 | 1,248 |
| Drill Team | (401) | 281 | 0 | (120) |
| Student Council | 2,179 | 2,574 | 2,909 | 1,844 |
| Yearbook | 7,070 | 7,993 | 7,013 | 8,050 |
| Student Projects | (16) | 2,115 | 2,785 | (686) |
| Commissary | 1,197 | 8,800 | 9,744 | 253 |
| Student Book Fair | 1,406 | 1,463 | 1,244 | 1,625 |
| Elementary Field Trip | 0 | 615 | 615 | 0 |
| Jr High Athletics | 3,512 | 5,067 | 4,978 | 3,601 |
| Co-Curricular | 2,217 | 176 | 372 | 2,021 |
| FCCLA Fundraiser | 250 | 5,600 | 5,793 | 57 |
| Total | \$ 48,477 | 148,553 | 136,360 | 60,670 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

| | Modified Accrual Basis | | | |
|---|------------------------|------------------|------------------|------------------|
| | Years Ended June 30, | | | |
| | 2004 | 2003 | 2002 | 2001 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 839,447 | 770,794 | 696,729 | 691,589 |
| Tuition | 288,017 | 256,585 | 271,323 | 238,392 |
| Other | 199,578 | 178,256 | 189,852 | 143,424 |
| State sources | 964,363 | 1,027,544 | 1,045,313 | 1,116,076 |
| Federal sources | 131,029 | 107,475 | 37,101 | 46,861 |
| Total | <u>\$ 2,422,434</u> | <u>2,340,654</u> | <u>2,240,318</u> | <u>2,236,342</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 892,927 | 891,545 | 889,895 | 848,963 |
| Special instruction | 186,612 | 172,972 | 187,006 | 201,511 |
| Other instruction | 349,119 | 331,666 | 349,263 | 299,939 |
| Support services: | | | | |
| Student services | 58,727 | 81,938 | 102,779 | 94,218 |
| Instructional staff services | 9,633 | 8,972 | 11,548 | 12,828 |
| Administration services | 291,741 | 413,934 | 268,193 | 318,547 |
| Operation and maintenance of plant services | 173,358 | 172,092 | 182,586 | 164,064 |
| Transportation services | 69,617 | 112,356 | 68,935 | 88,339 |
| Central services | 9,162 | 3,469 | 5,882 | 0 |
| Non-instructional programs | 2,518 | 1,978 | 3,153 | 1,993 |
| Other expenditures: | | | | |
| Facilities acquisitions | 49,206 | 5,699 | 27,573 | 1,098 |
| Long-term debt: | | | | |
| Principal | 95,000 | 90,000 | 80,000 | 85,000 |
| Interest and other charges | 16,998 | 20,687 | 23,928 | 27,253 |
| AEA flow-through | 72,998 | 79,013 | 79,421 | 83,735 |
| Total | <u>\$ 2,277,616</u> | <u>2,386,321</u> | <u>2,280,162</u> | <u>2,227,488</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of the
Stanton Community School District:

We have audited the financial statements of Stanton Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 19, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Stanton Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

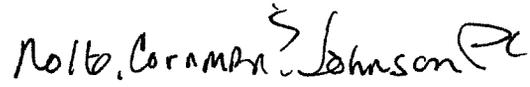
In planning and performing our audit, we considered Stanton Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all

reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04, I-B-04, I-C-04, and I-D-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Stanton Community School District and other parties to whom Stanton Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Stanton 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.

August 19, 2004

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-04 Activity Admissions – The Activity gate admissions and change box were not reconciled with pre-numbered tickets.

Recommendation – The District should establish reconciliation procedures for activity admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – Our facility does not lend itself to such a procedure. However, we will review our present procedures and consider the recommended reconciliation procedures.

Conclusion – Response accepted.

I-C-04 Financial Condition – The District had several accounts in the Student Activity Fund with deficit balances at June 30, 2004.

Recommendation – The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response – We will review the situation and take the necessary steps to try to eliminate the deficit balances.

Conclusion – Response accepted.

I-D-04 Checks Outstanding – We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation – The District should adopt a policy which would allow for the write off of outstanding checks after a reasonable length of time and provide these outstanding checks to the Great Iowa Treasure Hunt.

Response – We will comply.

Conclusion – Response accepted.

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

II-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the amended certified budget amounts in the non-instructional functional area.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 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.

II-E-04 Business Transactions – No business transactions between the District and District officials were noted.

II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-04 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.