STANTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

Contents

		Page
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	Exhibit	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Propriety Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	22
Statement of Cash Flows	I	23
Fiduciary Fund Financial Statements:		
Statement of Net Assets	J	24
Statement of Changes in Net Assets	K	25
Notes to Financial Statements		26-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual(Cash Basis) - All Governmental Funds and Proprietary Fund		35-36
Budget to GAAP Reconciliation		37
Notes to Required Supplementary Information - Budgetary Reporting		38
Other Supplementary Information:	Schedule	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	39-40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	41-42
Schedule of Changes in Student Activity Accounts	3	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	44
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		45-46
Schedule of Findings		47-49

Stanton Community School District

Officials

Name	Title	Term Expires
	Board of Education (Before September 2004 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
	Board of Education (After September 2004 Election)	
David Brunning	President	2006
Chris Nelson	Vice President	2007
Jeff Magneson	Board Member	2007
Douglas Maher	Board Member	2005
Mark Lindgren	Board Member	2005
	School Officials	
Judd Ashley	Superintendent	2005
Carla F. Olson	District Secretary	2005
LaDonna Rossander	District Treasurer	2005
Swanson Law Firm	Attorney	2005
Sue Seitz	Attorney	2005

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, the business-type activities, each major fund and the aggregate remaining fund information of Stanton Community School District, Stanton, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stanton Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2005 on our consideration of Stanton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 three years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary 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 PC

NOLTE, CORNMAN & JOHNSON, P.C.

August 24, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Stanton Community School District annual financial report presents it discussion and analysis of its financial performance during the fiscal year ended June 30, 2005. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $2,079,705 (GAAP basis) in fiscal 2004 to $2,114,883 in fiscal 2005, while General Fund expenditures also increased from $1,946,699 in fiscal 2004 to $2,027,500 in fiscal 2005. This resulted in an increase in the District's Operating Fund (GAAP) balance from $509,719 in fiscal 2004 to $597,102 in fiscal 2005, which was a 17% increase from the prior year.

- The increase in General Fund revenues is attributable in part to receiving a REAP Grant for $31,777, Title IIA Teacher Quality Grant of $13,522, and Special Education Part B Grant of $12,391, for a total of $57,690. The Board also approved a Budget Guarantee of $85,329 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 $16,183, 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 2003 showing 63 students in and 7 out and count date in September 2004 having 81 in and 5 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.

- A question on the September ballot to Change the Use of Revenues for Local Option Sales and Service Tax monies received 123 votes, with 121 of those for approval. The change in language will allow expanded us of LOSST revenues to include all the same uses as the Physical Plant and Equipment Levy, greatly enhancing the district's ability to use these funds for infrastructure and the purchase of equipment costing over $500.

- 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 $205,000 to be paid through 2007.

- Slightly improved interest rates this year, along with an increased balance available, resulted in interest earnings in the General Fund increasing from $5,215 in 2004 to $9,514 in 2005.

- Sale of the school-owned superintendent's house in July 2004 brought in net proceeds of $69,918, with those funds deposited to the Physical Plant and Equipment Levy Fund and $50,735 used to purchase a new school bus in December.

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

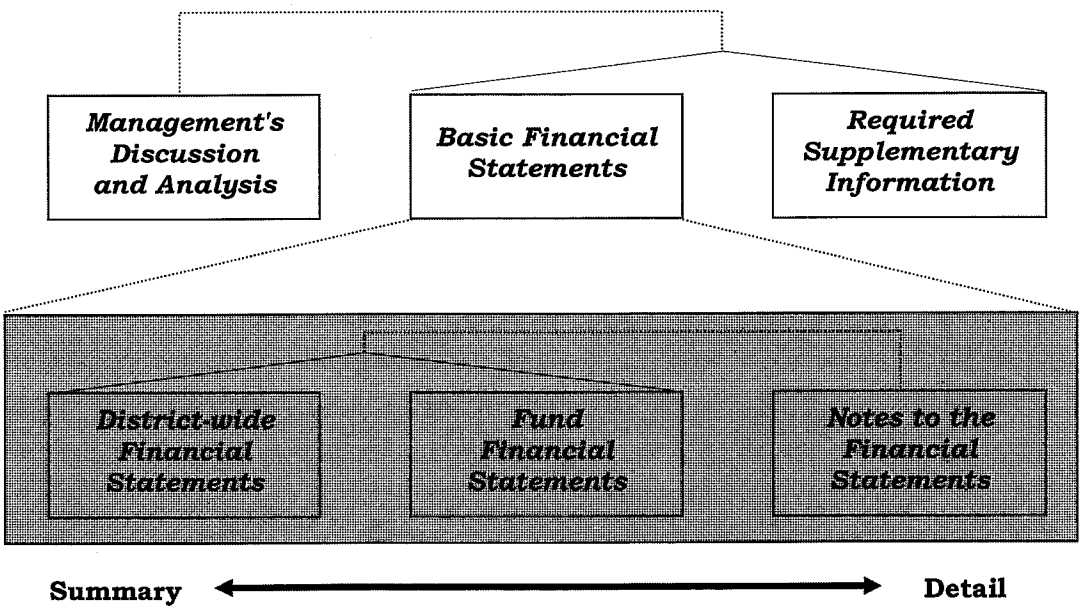

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents 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	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows	• 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, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	$ 1,856,749	1,686,397	$ 14,854	15,247	$ 1,871,603	1,701,644	9.99%
Capital assets	1,170,634	1,171,506	18,887	18,895	1,189,521	1,190,401	-0.07%
Total assets	3,027,383	2,857,903	33,741	34,142	3,061,124	2,892,045	5.85%
Long-term obligations	205,000	300,000	0	0	205,000	300,000	-31.67%
Other liabilities	881,907	932,334	4,141	3,772	886,048	936,106	-5.35%
Total liabilities	1,086,907	1,232,334	4,141	3,772	1,091,048	1,236,106	-11.74%
Net assets:							
Invested in capital assets, net of related debt	1,057,424	927,700	18,887	18,895	1,076,311	946,595	13.70%
Restricted	247,722	248,908	0	0	247,722	248,908	-0.48%
Unrestricted	635,330	447,898	10,713	11,475	646,043	459,373	40.64%
Total net assets	$ 1,940,476	1,624,506	$ 29,600	30,370	$ 1,970,076	1,654,876	19.05%

The District's combined net assets increased by nearly 19% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased .48% over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased approximately 41% over the prior year.

Figure A-4 illustrates the impact that results of operations had on changes in net assets for the year ended June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	$ 527,318	480,786	$ 63,282	61,721	590,600	542,507	8.86%
Operating grants and contributions and restricted interest	254,219	288,004	36,865	40,618	291,084	328,622	-11.42%
General revenues:							
Property tax	720,933	734,565	0	0	720,933	734,565	-1.86%
Local option sales and service tax	112,334	104,882	0	0	112,334	104,882	0.00%
Unrestricted state grants	886,027	810,888	0	0	886,027	810,888	9.27%
Other	72,140	6,809	46	54	72,186	6,863	951.81%
Total revenues	2,572,971	2,425,934	100,193	102,393	2,673,164	2,528,327	5.73%
Program expenses:							
Governmental activities:							
Instructional	1,458,789	1,439,267	0	0	1,458,789	1,439,267	1.36%
Support services	671,997	634,041	0	0	671,997	634,041	5.99%
Non-instructional programs	2,075	2,518	103,078	102,066	105,153	104,584	0.54%
Other expenses	124,140	125,124	0	0	124,140	125,124	-0.79%
Total expenses	2,257,001	2,200,950	103,078	102,066	2,360,079	2,303,016	2.48%
Excess(deficiency) of revenues over(under) expenses before capital contributions	315,970	224,984	(2,885)	327	313,085	225,311	38.96%
Capital contributions	0	0	2,115	0	2,115	0	100.00%
Change in net assets	315,970	224,984	(770)	327	315,200	225,311	39.90%
Net assets beginning of year	1,624,506	1,399,522	30,370	30,043	1,654,876	1,429,565	15.76%
Net assets end of year	$ 1,940,476	1,624,506	$ 29,600	30,370	1,970,076	1,654,876	19.05%

Property tax, local option sales and service 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 90% of the total expenses.

Governmental Activities

Total revenues for all of the Districts' governmental activities were $2,572,971, an increase of 6.1% over the prior year. Total expenses for all of the Districts' governmental activities were

$2,257,001, an increase of 2.5% 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.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$ 1,458,789	749,698
Support services	671,997	671,997
Non-instructional	2,075	2,075
Other expenses	124,140	51,694
Totals	$ 2,257,001	1,475,464

- The cost of all governmental activities this year was $2,257,001
- A portion of the cost financed by users of the District's programs was $527,318
- The federal and state government subsidized certain programs with operating grants and contributions totaling $254,219
- The net cost portion of governmental activities was financed with $720,933 in property tax, $886,027 in state foundation aid, $11,655 in interest income, and $112,334 in Local Option Sales and Service Tax monies.

Business-Type Activities

The District's only business-type activity is the School Nutrition Fund. Revenues of the District's business-type activities totaled $100,193 in 2005, which is a decrease of 2.1 percent over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased .99 percent to $103,078 for business-type activities in 2005. No new equipment was purchased with Nutrition Fund monies this fiscal year, however the General Fund paid $2,115 for a new fire suppression system that is now included in the Nutrition Fund inventory as contributed capital.

INDIVIDUAL FUND ANALYSIS

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

A strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of $916,783, an increase of $162,720 over last years ending fund balances of $754,063. One of the reasons for the increase in combined fund balances in fiscal 2005 was income from the school-owned superintendent's house, which added $69,618 to the Physical Plant and Equipment Levy revenues for the year. In the General Fund, a REAP Grant of $31,777 and Early Intervention Grant of $13,851 helped fund specific teacher salaries

Governmental Fund Highlights

- The District's improved General Fund financial position is the product of many factors. The Board has approved a budget guarantee the past three years to compensate for loss of state aid due to declining home district enrollment. Open enrollment of students into Stanton from other school districts has been very beneficial for the District, with 63

students open enrolled in to Stanton in 2003-2004 (with 7 out) and 81 open enrolled in to the District in 2004-2005 (with 5 out). Approval of grants also resulted in an increase in revenues.

- While 75% of the revenue from Local Option Sales and Service Tax monies is used annually to reduce bonded indebtedness, the remaining 25% has been used for infrastructure projects. Ballot approval to expand the use of Local Option Sales and Service Tax monies includes allowing the district to purchase equipment costing over$500, and this year $3,964 was used for that purpose

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from $30,370 in fiscal 2004 to $29,600 in fiscal 2005, representing a decrease of approximately 2.5 percent. This slight reduction was due to an increase in accumulated depreciation on Nutrition Fund equipment.

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.

Legal Budgetary Highlights

- The District's total actual cash receipts for governmental funds were $2,452,943, compared to the budgeted amount of $2,407,354, which is approximately $45,589 or 1.9 percent more than budgeted. Part of the increase was in General Fund, where approximately $15,000 more in open enrollment tuition than projected was received due to an increase in those numbers; The REAP Grant was $6,500 more than estimated; and Medicaid revenue of $16,000 was received. In the Physical Plant and Equipment Levy Fund, the sale of the school-owned superintendent's house brought in $69,618.

- The District's proprietary Hot Lunch Fund cash receipts were $100,203, which was $997 less than the budgeted amount of $101,200, or a variance of less than 1%

- Total cash expenditures for governmental funds were $2,352,914, as compared to the budgeted expenditure figure for those funds of $2,586,626. The District was successful in efforts to control expenditures.

- Expenditures for the District's non-instructional programs budget was amended from $105,900 to $108,000 and the total actual cash expenditures for that function area were $102,520.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2005, the District had invested governmental funds of $1,170,634, 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 $2,248,464 invested in governmental fund capital assets, which represents an increase of $62,572, or 3 percent from June 30, 2004

In comparing fiscal 2005 to fiscal 2004, the largest change in capital assets activity occurred in additions of machinery and equipment valued at over $1,500 per item, which included a new computer network server, used copier, G5 computer, a milk machine, 2004 school bus, 2005 van, and a fire suppression system for the kitchen area.

Accumulated depreciation under GASB 34 at year end totaled $1,077,830 for governmental funds, and this figure includes $82,569 for the current year.

The Proprietary, or School Nutrition Fund, has a total of $18,887, net of accumulated depreciation, invested in capital assets. Excluding depreciation, the District has invested a total of $44,901 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 Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	$ 52,726	52,726	0	0	52,726	52,726	0.00%
Buildings	952,948	997,394	0	0	952,948	997,394	-4.66%
Improvements other than buildings	61,666	53,005	0	0	61,666	53,005	14.05%
Machinery and equipment	103,294	68,381	18,887	18,895	122,181	87,276	28.57%
Total	$ 1,170,634	1,171,506	$ 18,887	18,895	$ 1,189,521	1,190,401	-0.07%

Long-Term Debt

At year-end, the District had $205,000 in general obligation debt outstanding. This represents a decrease of approximately 32% from last year's balance of $300,000. (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
	2005	2004	Change
General obligation bonds	$ 205,000	300,000	-31.7%
Totals	$ 205,000	300,000	-31.7%

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.
- 2005-06 will be the second 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.
- The final payment on long term debt for building the elementary school addition will be made in 2007 and income form the current Local Option Sales and Service Tax will continue through 2010, so the Board is considering the best use of those funds to enhance the District's facilities and programs.
- 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.
- The addition in summer 2005, of the Stanton Child Resource Center in Stanton, a preschool and daycare facility, will be an enhancement for the entire community and potentially will lead to an increase in the number of students open enrolled into the school district.
- Looking ahead, it is hoped the subdivision project of "Valhalla Hills" on the northeast edge of the town will eventually not only provide an increased valuation for the district but also bring more families into the area for an increase in student enrollment.

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

Exhibit A

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:	$ 1,138,651	11,805	1,150,456
Receivables			
Property tax:			
Delinquent	7,083	0	7,083
Succeeding year	628,262	0	628,262
Income surtax	58,789	0	58,789
Accounts	1,306	0	1,306
Due from other governments	22,658	0	22,658
Inventories	0	3,049	3,049
Capital assets, net of accumulated depreciation(Note 4)	1,170,634	18,887	1,189,521
TOTAL ASSETS	3,027,383	33,741	3,061,124
LIABILITIES			
Accounts payable	55,138	0	55,138
Salaries and benefits payable	196,866	3,072	199,938
Due to other governments	911	0	911
Accrued interest payable	730	0	730
Deferred revenue:			
Succeeding year property tax	628,262	0	628,262
Other	0	1,069	1,069
Long-term liabilities(Note 5):			
Portion due within one year:			
General obligation bonds payable	100,000	0	100,000
Portion due after one year:			
General obligation bonds payable	105,000	0	105,000
TOTAL LIABILITIES	1,086,907	4,141	1,091,048
NET ASSETS			
Investment in capital assets, net of related debt	1,057,424	18,887	1,076,311
Restricted for:			
Talented and Gifted	20,561	0	20,561
Management levy	100,437	0	100,437
Physical plant and equipment levy	61,268	0	61,268
Other special revenue purposes	65,456	0	65,456
Unrestricted	635,330	10,713	646,043
TOTAL NET ASSETS	$ 1,940,476	29,600	1,970,076

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	$ 912,571	469,275	181,773
Special instruction	172,608	58,043	0
Other instruction	373,610	0	0
	1,458,789	527,318	181,773
Support services:			
Student services	58,786	0	0
Instructional staff services	6,756	0	0
Adminstration services	335,601	0	0
Operation and maintenance of plant services	165,810	0	0
Transportation services	105,044	0	0
	671,997	0	0
Non-instructional programs	2,075	0	0
Other expenditures:			
Facilities acquisitions	0	0	0
Long-term debt interest	12,822	0	0
AEA flowthrough	72,446	0	72,446
Depreciation(unallocated)*	38,872	0	0
	124,140	0	72,446
Total governmental activities	2,257,001	527,318	254,219
Business-Type activities:			
Non-instructional programs:			
Nutrition services	103,078	63,282	36,865
Total business-type activities	103,078	63,282	36,865
Total	$ 2,360,079	590,600	291,084
General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services			
Unrestricted state grants			
Unrestricted investment earnings			
Sale of real property			
Total general revenues			
Excess(deficiency) of revenues over(under) expenses before capital contributions			
Capital contributions			
Changes in net assets			
Net assets beginning of year			
Net assets end of year			

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(261,523)	0	(261,523)
(114,565)	0	(114,565)
(373,610)	0	(373,610)
(749,698)	0	(749,698)
(58,786)	0	(58,786)
(6,756)	0	(6,756)
(335,601)	0	(335,601)
(165,810)	0	(165,810)
(105,044)	0	(105,044)
(671,997)	0	(671,997)
(2,075)		(2,075)
0	0	0
(12,822)	0	(12,822)
0	0	0
(38,872)	0	(38,872)
(51,694)	0	(51,694)
(1,475,464)	0	(1,475,464)
0	(2,931)	(2,931)
0	(2,931)	(2,931)
(1,475,464)	(2,931)	(1,478,395)
$ 671,859	0	671,859
34,965	0	34,965
14,109	0	14,109
112,334	0	112,334
886,027	0	886,027
11,655	46	11,701
60,485	0	60,485
1,791,434	46	1,791,480
315,970	(2,885)	313,085
0	2,115	2,115
315,970	(770)	315,200
1,624,506	30,370	1,654,876
$ 1,940,476	29,600	1,970,076

STANTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments	$ 834,704	303,947	1,138,651
Receivables:			
Property tax:			
Delinquent	6,113	970	7,083
Succeeding year	551,933	76,329	628,262
Income surtax	58,789	0	58,789
Accounts	0	1,306	1,306
Due from other governments	5,537	17,121	22,658
TOTAL ASSETS	$ 1,457,076	399,673	1,856,749
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 51,475	3,663	55,138
Salaries and benefits payable	196,866	0	196,866
Due to other governments	911	0	911
Deferred revenue:			
Succeeding year property tax	551,933	76,329	628,262
Income surtax	58,789	0	58,789
Total liabilities	859,974	79,992	939,966
Fund balances:			
Reserved for:			
Talented and Gifted	20,561	0	20,561
Debt Service	0	876	876
Unreserved:			
Designated for special purpose	10,414	0	10,414
General	566,127	0	566,127
Capital projects	0	91,644	91,644
Management levy	0	100,437	100,437
Physical plant and equipment levy	0	61,268	61,268
Other special revenue purposes	0	65,456	65,456
Total fund balances	597,102	319,681	916,783
TOTAL LIABILITIES AND FUND BALANCES	$ 1,457,076	399,673	1,856,749

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

STANTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances of governmental funds (page 17)	$	916,783
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		1,170,634
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.		(730)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		58,789
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		(205,000)
Net assets of governmental activites (page 14)	$	1,940,476

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	$ 580,248	81,896	662,144
Local option sales and service tax	0	112,334	112,334
Tuition	363,162	0	363,162
Other	31,302	144,509	175,811
State sources	1,037,624	75	1,037,699
Federal sources	102,547	0	102,547
Total revenues	2,114,883	338,814	2,453,697
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	906,974	7,560	914,534
Special instruction	172,608	0	172,608
Other instruction	234,990	137,550	372,540
	1,314,572	145,110	1,459,682
Support services:			
Student services	57,849	0	57,849
Instructional staff services	6,294	0	6,294
Administration services	327,109	9,260	336,369
Operation and maintenance of plant services	157,569	7,355	164,924
Transportation services	90,511	55,446	145,957
	639,332	72,061	711,393
Non-instructional programs	1,150	925	2,075
Other expenditures:			
Facilities acquisitions	0	6,844	6,844
Long-term debt:			
Principal	0	95,000	95,000
Interest and fiscal charges	0	13,155	13,155
AEA flowthrough	72,446	0	72,446
	72,446	114,999	187,445
Total expenditures	2,027,500	333,095	2,360,595
Excess of revenues over expenditures	87,383	5,719	93,102
Other financing sources (uses):			
Transfers in	0	73,030	73,030
Transfers out	0	(73,030)	(73,030)
Sale of real property	0	69,618	69,618
Total other financing sources (uses)	0	69,618	69,618
Net change in fund balances	87,383	75,337	162,720
Fund balance beginning of year	509,719	244,344	754,063
Fund balance end of year	$ 597,102	319,681	916,783

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

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, 2005

Net change in fund balances - total governmental funds (page 19)		$ 162,720
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	$ 62,572	
Depreciation expense	(63,444)	(872)
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		58,789
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liablilities in the Statement of Net Assets. Current year repayments were as follows:		
Repaid		95,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		333
Changes in net assets of governmental activities (page 16)		$ 315,970

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
ASSETS	
Cash and pooled investments	$ 11,805
Inventories	3,049
Capital assets, net of accumulated depreciation	18,887
Total assets	33,741
LIABILITIES	
Salaries and benefits payable	3,072
Deferred Revenue	1,069
Total liabilities	4,141
NET ASSETS	
Invested in capital assets, net of related debt	18,887
Unrestricted	10,713
Total net assets	$ 29,600

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	$ 63,282
TOTAL OPERATING REVENUES	63,282
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	36,332
Benefits	4,555
Services	109
Supplies	59,959
Depreciation	2,123
TOTAL OPERATING EXPENSES	103,078
OPERATING LOSS	(39,796)
NON-OPERATING REVENUES:	
State sources	1,780
Federal sources	35,085
Interest on investments	46
TOTAL NON-OPERATING REVENUES	36,911
Net loss before capital contributions	(2,885)
Capital contributions	2,115
Change in net assets	(770)
Net assets beginning of year	30,370
Net assets end of year	$ 29,600

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 63,108
Cash received from miscellanous operating activities	184
Cash payments to employees for services	(40,528)
Cash payments to suppliers for goods or services	(55,374)
Net cash used in operating activities	(32,610)
Cash flows from non-capital financing activities:	
State grants received	1,780
Federal grants received	30,542
Net cash provided by non-capital financing activities	32,322
Cash flows from investing activities:	
Interest on investments	46
Net cash provided by investing activities	46
Net decrease in cash and cash equivalents	(242)
Cash and cash equivalents at beginning of year	12,047
Cash and cash equivalents at end of year	$ 11,805
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (39,796)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	4,543
Depreciation	2,123
Decrease in inventories	151
Increase in salaries and benefits payable	359
Increase in deferred revenue	10
Net cash used in operating activities	$ (32,610)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	$ 11,805

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at $4,543.

During the year ended June 30, 2005, the General Fund contributed capital of $2,115.

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit J

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	$ 46,991
Accrued interest receivable	561
Total assets	47,552
Liabilities	
Total liabilities	0
Net assets	
Unreserved:	
Undesignated	$ 47,552

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit K

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2005

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest Income	$ 1,017
Total additions	1,017
Deductions:	
Support services:	
Scholarships awarded	1,720
Change in net assets	(703)
Net assets beginning of year	48,255
Net assets end of year	$ 47,552

SEE NOTES TO FINANCIAL STATEMENTS.

(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 are 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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, 2005 expenditures in the non-instructional functional program area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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, 2005 are as follows:

Type	Fair Value
ING USA Annuity and Life Insurance Company	$ 11,322
Certificates of deposit	11,000

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with

maturities longer than 397 days but maturities shall be consistent with the needs and use of the district.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	$ 73,030

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, 2005 is as follows:

	Balance Beginning of Year	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	52,726	0	0	52,726
Capital assets being depreciated:				
Buildings	1,591,676	0	18,120	1,573,556
Improvements other than buildings	58,952	12,220	0	71,172
Furniture and equipment	482,538	78,610	10,138	551,010
Total capital assets being depreciated	2,133,166	90,830	28,258	2,195,738
Less accumulated depreciation for:				
Buildings	597,841	31,754	8,987	620,608
Improvements other than buildings	2,388	7,118	0	9,506
Furniture and equipment	414,157	43,697	10,138	447,716
Total accumulated depreciation	1,014,386	82,569	19,125	1,077,830
Total capital assets being depreciated, net	1,118,780	8,261	9,133	1,117,908
Governmental activities capital assets, net	$ 1,171,506	8,261	9,133	1,170,634

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	$ 33,689	11,212	0	44,901
Less accumulated depreciation	14,794	11,220	0	26,014
Business-type activities capital assets, net	$ 18,895	(8)	0	18,887

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 10,589
Special	0
Other	4,003
Support services:	
Student Support	937
Instructional Staff	462
Administration	1,010
Operation and maintenance of plant	886
Transportation	25,810
	43,697
Unallocated depreciation	38,872
Total governmental activities depreciation expense	$ 82,569
Business-type activities:	
Food services	$ 2,123
Total business-type activities depreciation expense	$ 2,123

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	$ 300,000	0	95,000	205,000	100,000

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated December 1, 1998 Interest Rates	Principal	Interest	Total
2006	4.25%	$ 100,000	8,765	108,765
2007	4.30%	105,000	4,515	109,515
Total		$ 205,000	13,280	218,280

(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

(7) Risk Management

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

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium. The total amount of the deficit recoveries of current members is estimated to $2.2 million. The District's share of this assessment is going to be 2% of the 2004-05 and 2005-06 premiums. As of June 30, 2005 the District had paid $3,442 of the assessment. The remainder if the 2% assessment will be paid on a monthly basis along with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, 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, 2005 were $162,085.

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

The 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 $72,446 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

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, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	$ 1,310,451	63,338
State sources	1,038,537	1,780
Federal sources	103,955	35,085
Total revenues	2,452,943	100,203
Disbursements:		
Instruction	1,460,689	0
Support services	705,585	0
Non-instructional programs	2,075	100,445
Other expenditures	184,565	0
Total expenditures	2,352,914	100,445
Excess(deficiency) of receipts over(under) disbursements	100,029	(242)
Other financing sources, net	69,618	0
Excess(deficiency) of receipts over(under) disbursements	169,647	(242)
Balance beginning of year	969,004	12,047
Balance end of year	$ 1,138,651	11,805

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
1,373,789	1,364,543	1,364,543	9,246
1,040,317	1,036,511	1,036,511	3,806
139,040	107,500	107,500	31,540
2,553,146	2,508,554	2,508,554	44,592
1,460,689	1,545,029	1,595,000	134,311
705,585	742,000	765,000	59,415
102,520	105,900	108,000	5,480
184,565	226,626	226,626	42,061
2,453,359	2,619,555	2,694,626	241,267
99,787	(111,001)	(186,072)	(285,859)
69,618	500	500	(69,118)
169,405	(110,501)	(185,572)	(354,977)
981,051	812,368	812,368	168,683
1,150,456	701,867	626,796	523,660

STANTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 2,452,943	754	2,453,697
Expenditures	2,352,914	7,681	2,360,595
Net	100,029	(6,927)	93,102
Other financing sources, net	69,618	0	69,618
Beginning fund balances	969,004	(214,941)	754,063
Ending fund balances	$ 1,138,651	(221,868)	916,783

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 100,203	(10)	100,193
Expenditures	100,445	2,633	103,078
Net	(242)	(2,643)	(2,885)
Capital contributions	0	2,115	2,115
Beginning fund balances	12,047	18,323	30,370
Ending fund balances	$ 11,805	17,795	29,600

STANTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTAL INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds			
	Manage-ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue
ASSETS				
Cash and pooled investments	$ 99,742	65,239	63,981	228,962
Receivables:				
Property tax:				
Current year delinquent	389	0	167	556
Succeeding year	28,000	0	14,164	42,164
Accounts	306	1,000	0	1,306
Due from other governments	0	0	0	0
TOTAL ASSETS	$ 128,437	66,239	78,312	272,988
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	$ 0	783	2,880	3,663
Deferred revenue:				
Succeeding year property tax	28,000	0	14,164	42,164
Total Liabilities	28,000	783	17,044	45,827
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	100,437	65,456	61,268	227,161
Total fund balances	100,437	65,456	61,268	227,161
TOTAL LIABILITIES AND FUND EQUITY	$ 128,437	66,239	78,312	272,988

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Debt Service	Capital Projects	Total Nonmajor Governmental Funds
462	74,523	303,947
414	0	970
34,165	0	76,329
0	0	1,306
0	17,121	17,121
35,041	91,644	399,673
0	0	3,663
34,165	0	76,329
34,165	0	79,992
876	91,644	319,681
876	91,644	319,681
35,041	91,644	399,673

STANTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Special Revenue Funds			
	Manage-ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue
REVENUES:				
Local sources:				
Local tax	$ 32,822	0	14,109	46,931
Local option sales and service tax	0	0	0	0
Other	1,725	142,336	397	144,458
State sources	30	0	13	43
TOTAL REVENUES	34,577	142,336	14,519	191,432
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	7,560	0	0	7,560
Other instruction	0	137,550	0	137,550
Support services:				
Administration services	9,260	0	0	9,260
Operation and maintenance of plant services	7,355	0	0	7,355
Student transportation	4,711	0	50,735	55,446
Non-instructional programs	925	0	0	925
Other expenditures:				
Facilities acquisitions	0	0	2,880	2,880
Long-term debt:				
Principal	0	0	0	0
Interest and fiscal charges	0	0	0	0
TOTAL EXPENDITURES	29,811	137,550	53,615	220,976
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	4,766	4,786	(39,096)	(29,544)
OTHER FINANCING SOURCES (USES):				
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Sale of real property	0	0	69,618	69,618
Total other financing sources (uses)	0	0	69,618	69,618
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES	4,766	4,786	30,522	40,074
FUND BALANCE BEGINNING OF YEAR	95,671	60,670	30,746	187,087
FUND BALANCE END OF YEAR	$ 100,437	65,456	61,268	227,161

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Debt Service	Capital Projects	Total Nonmajor Governmental Funds
34,965	0	81,896
0	112,334	112,334
51	0	144,509
32	0	75
35,048	112,334	338,814
0	0	7,560
0	0	137,550
0	0	9,260
0	0	7,355
0	0	55,446
0	0	925
0	3,964	6,844
95,000	0	95,000
13,155	0	13,155
108,155	3,964	333,095
(73,107)	108,370	5,719
73,030	0	73,030
0	(73,030)	(73,030)
0	0	69,618
73,030	(73,030)	69,618
(77)	35,340	75,337
953	56,304	244,344
876	91,644	319,681

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Interest on Investments	$ 15,520	227	630	15,117
School Play	1,160	418	383	1,195
Musical Events	10,379	16,258	16,044	10,593
Elementary Music	2,357	1,103	783	2,677
Band Repair	(1,516)	737	1,214	(1,993)
Basketball	20,708	11,408	12,552	19,564
Baseball	(9,951)	4,783	4,108	(9,276)
Track	(10,369)	5,852	3,436	(7,953)
Football/Volleyball Fundraisers	2,075	9,000	7,597	3,478
Football	1,750	4,881	5,502	1,129
Volleyball	6,939	5,582	3,353	9,168
Class of 2005	2,913	475	3,388	0
Class of 2006	1,427	9,695	7,907	3,215
Class of 2007	1,048	951	285	1,714
Class of 2008	270	290	0	560
Class of 2009	130	105	0	235
Class of 2010	0	145	0	145
Class Gifts	2,329	427	640	2,116
Declam	(9,220)	160	382	(9,442)
Future Farmers	3,656	11,192	13,144	1,704
FCCLA	(1,431)	8,513	7,700	(618)
Math Club	130	0	0	130
National Honor Society	525	399	200	724
Peer/Quest	32	0	0	32
Pep Club	1,916	2,797	2,725	1,988
Cheerleaders	1,248	2,054	1,521	1,781
Drill Team	(120)	0	0	(120)
Student Council	1,844	4,465	2,736	3,573
Yearbook	8,050	7,719	7,178	8,591
Student Projects	(686)	10,604	9,826	92
Commissary	253	9,821	10,910	(836)
Student Book Fair	1,625	1,047	2,094	578
Elementary Field Trip	0	409	409	0
Jr High Athletics	3,601	3,850	3,987	3,464
Co-Curricular	2,021	749	810	1,960
FCCLA Fundraiser	57	5,432	5,285	204
FCS student project	0	788	821	(33)
Total	$ 60,670	142,336	137,550	65,456

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,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	$ 774,478	839,447	770,794	696,729
Tuition	363,162	288,017	256,585	271,323
Other	175,811	199,578	178,256	189,852
State sources	1,037,699	964,363	1,027,544	1,045,313
Federal sources	102,547	131,029	107,475	37,101
Total	$ 2,453,697	2,422,434	2,340,654	2,240,318
Expenditures:				
Current:				
Instruction:				
Regular instruction	$ 914,534	892,927	891,545	889,895
Special instruction	172,608	186,612	172,972	187,006
Other instruction	372,540	349,119	331,666	349,263
Support services:				
Student services	57,849	58,727	81,938	102,779
Instructional staff services	6,294	9,633	8,972	11,548
Adminstration services	336,369	291,741	413,934	268,193
Operation and maintenance of plant services	164,924	173,358	172,092	182,586
Transportation services	145,957	69,617	112,356	68,935
Central services	0	9,162	3,469	5,882
Non-instructional programs	2,075	2,518	1,978	3,153
Other expenditures:				
Facilities acquisitions	6,844	49,206	5,699	27,573
Long-term debt:				
Principal	95,000	95,000	90,000	80,000
Interest and other charges	13,155	16,998	20,687	23,928
AEA flow-through	72,446	72,998	79,013	79,421
Total	$ 2,360,595	2,277,616	2,386,321	2,280,162

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Stanton Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 24, 2005. 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.

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 an opinion 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 Part I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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 items I-A-05 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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 Stanton Community School District may report including federal awarding agencies and pass-through entities. 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 PC

NOLTE, CORNMAN & JOHNSON, P.C.

August 24, 2005

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

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

REPORTABLE CONDITIONS:

I-A-05 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-05 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-05 Financial Condition - The District had several accounts in the Student Activity Fund with deficit balances at June 30, 2005.

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-05 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.

I-E-05 Check Signatures - We noted during our audit, instances of no signatures on activity fund checks. Per Chapter 291.1 and 291.8 of the Code of Iowa, two signatures are required on all checks, one being the board president and the other being the board secretary.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out.

Response - We will review our procedures to assure that all checks have the required signatures.

Conclusion - Response accepted.

I-F-05 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card. The users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We will ensure that those seeking reimbursements have detailed documentation for purchases.

Conclusion - Response accepted.

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 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, 2005.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

II-C-05 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-05 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-05 Business Transactions - No business transactions between the District and District officials were noted.

II-F-05 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-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner, and not always signed by the president and/or board secretary.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa. They should also make sure that the minutes are properly signed after final review.

Response - We supply the minutes within the 2 week requirement, however we don't control if they are published in a timely manner.

Conclusion - Response accepted.

II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-05 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-05 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.