

STANTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2006

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Stanton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2005 Election)</b>		
David Brunning	President	2006
Chris Nelson	Vice President	2007
Jeff Magneson	Board Member	2007
Douglas Maher	Board Member	2005
Mark Lindgren	Board Member	2005
<b>Board of Education (After September 2005 Election)</b>		
David Brunning	President	2006
Chris Nelson	Vice President	2007
Jeff Magneson	Board Member	2007
Douglas Maher	Board Member	2008
Mark Lindgren	Board Member	2008
<b>School Officials</b>		
Judd Ashley	Superintendent	2006
Carla Olson	District Secretary	2006
LaDonna Rossander	District Treasurer	2006
Swanson Law Firm	Attorney	2006
Sue Seitz	Attorney	2006

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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, 2006, 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, 2006, 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 29, 2006 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 14 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We

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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, 2005 (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, P.C.

August 29, 2006

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

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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, 2006. 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.

These comparisons are to further explain the District's financial position and results of operations.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,114,883 (GAAP basis) in fiscal 2005 to \$2,155,637 in fiscal 2006, while General Fund expenditures also increased from \$2,027,500 in fiscal 2005 to \$2,158,471 in fiscal 2006. This resulted in a decrease in the District's Operating Fund (GAAP) balance from \$597,102 in fiscal 2005 to \$594,268 in fiscal 2006, which was a .47% decrease from the prior year. Increased costs of heating and vehicle fuels also impacted total expenditures.
- The increase in General Fund revenues is attributable in part to receiving a REAP Grant for \$31,158, Title IIA Federal Teacher Quality Grant of \$12,843, and Special Education Part B Grant of \$12,205, for a total of \$56,206. The Board also approved a Budget Guarantee of \$100,056 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 \$6,254, which helped offset costs of 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 2004 showing 81 students in and 5 out and count date in September 2005 having 83 students coming into the district and 8 out. This makes a total of 301.2 students who are provided instructional programs/services by the district.
- 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.
- Renewal of the Instructional Support Levy, to be effective 2006 through 2011, based on 10% of Regular Program District Cost will be approximately \$114,596 annually before state adjustments. This helps provide relief for district taxpayers because it is a combination of state aid, income surtax and property tax.
- 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 \$100,000 this fiscal year, leaving a principal balance of \$105,000 to be paid through 2007.
- Slightly improved interest rates this year resulted in interest earnings in the General Fund increasing from \$9,514 in 2005 to \$14,396 in 2006.

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- Major equipment purchases this fiscal year have included an upgraded phone system for \$7,010, which has voice mail capabilities; a used 2005 Chevy Venture van for \$16,970; and a trailer to haul equipment for \$4,650.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Stanton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Stanton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Stanton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

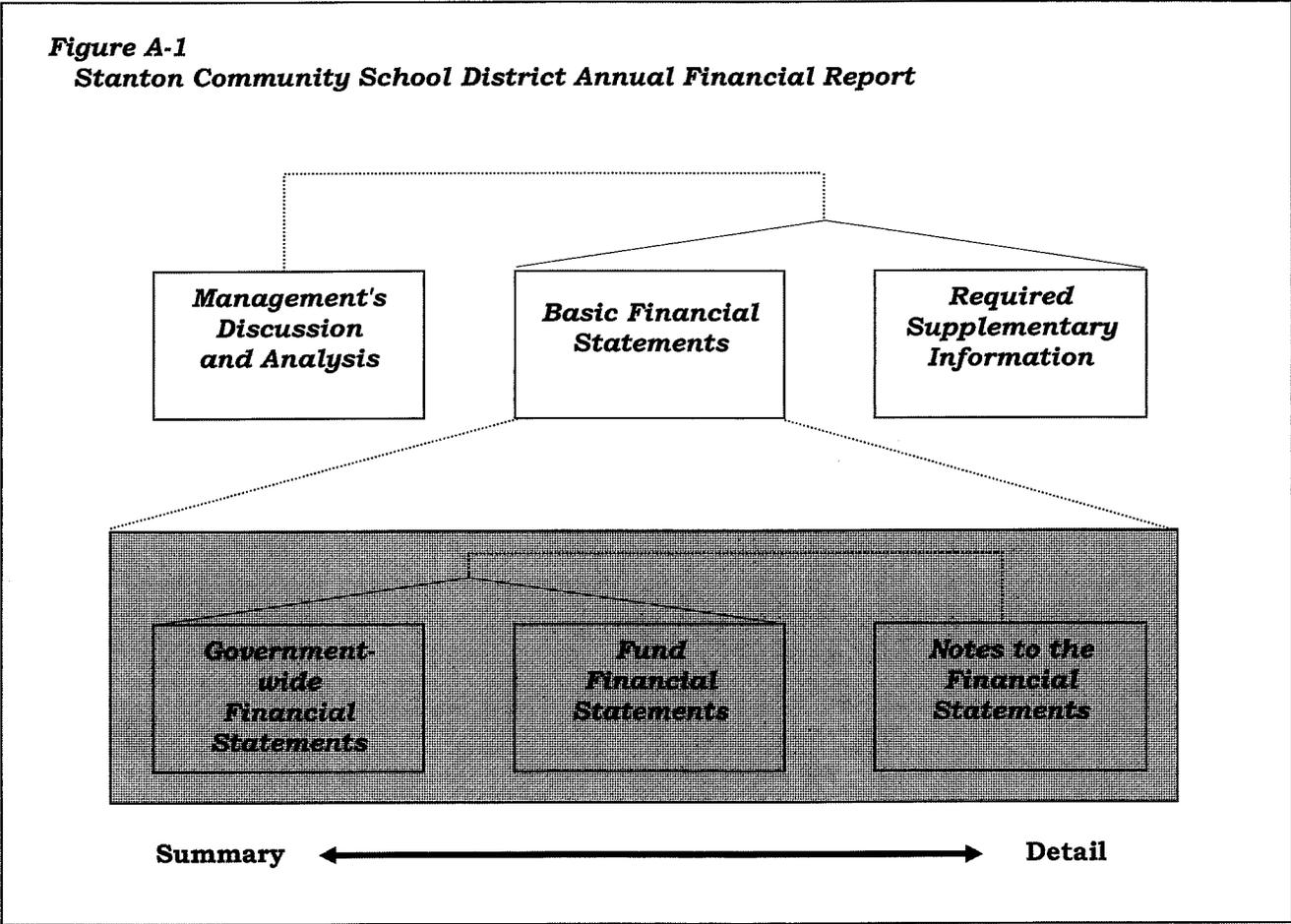


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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.

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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, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total Change 2005-06
	Activities		Activities		School District		
	2006	2005	2006	2005	2006	2005	
Current and other assets	\$ 1,851,457	1,856,749	\$ 16,137	14,854	\$ 1,867,594	1,871,603	-0.21%
Capital assets	1,137,587	1,170,634	19,191	18,887	1,156,778	1,189,521	-2.75%
Total assets	<u>2,989,044</u>	<u>3,027,383</u>	<u>35,328</u>	<u>33,741</u>	<u>3,024,372</u>	<u>3,061,124</u>	<u>-1.20%</u>
Long-term obligations	113,080	205,000	0	0	113,080	205,000	-44.84%
Other liabilities	855,536	881,907	5,116	4,141	860,652	886,048	-2.87%
Total liabilities	<u>968,616</u>	<u>1,086,907</u>	<u>5,116</u>	<u>4,141</u>	<u>973,732</u>	<u>1,091,048</u>	<u>-10.75%</u>
Net assets:							
Invested in capital assets, net of related debt	1,137,587	1,057,424	19,191	18,887	1,156,778	1,076,311	7.48%
Restricted	242,108	247,722	0	0	242,108	247,722	-2.27%
Unrestricted	640,733	635,330	11,021	10,713	651,754	646,043	0.88%
Total net assets	<u>\$ 2,020,428</u>	<u>1,940,476</u>	<u>\$ 30,212</u>	<u>29,600</u>	<u>\$ 2,050,640</u>	<u>1,970,076</u>	<u>4.09%</u>

The District’s combined net assets increased by 4.09% 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 2.27% 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 increased .88% 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, 2006 compared to June 30, 2005.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 577,904	527,318	\$ 63,698	63,282	641,602	590,600	8.64%
Operating grants and contributions and restricted interest	244,611	254,219	39,254	36,865	283,865	291,084	-2.48%
<b>General revenues:</b>							
Property tax	694,754	720,933	0	0	694,754	720,933	-3.63%
Local option sales and service tax	117,650	112,334	0	0	117,650	112,334	0.00%
Unrestricted state grants	826,576	886,027	0	0	826,576	886,027	-6.71%
Other	18,512	72,140	39	46	18,551	72,186	-74.30%
<b>Total revenues</b>	<b>2,480,007</b>	<b>2,572,971</b>	<b>102,991</b>	<b>100,193</b>	<b>2,582,998</b>	<b>2,673,164</b>	<b>-3.37%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	1,544,981	1,458,789	0	0	1,544,981	1,458,789	5.91%
Support services	717,724	671,997	0	0	717,724	671,997	6.80%
Non-instructional programs	875	2,075	105,026	103,078	105,901	105,153	0.71%
Other expenses	136,475	124,140	0	0	136,475	124,140	9.94%
<b>Total expenses</b>	<b>2,400,055</b>	<b>2,257,001</b>	<b>105,026</b>	<b>103,078</b>	<b>2,505,081</b>	<b>2,360,079</b>	<b>6.14%</b>
Excess(deficiency) of revenues over(under) expenses before capital contributions	79,952	315,970	(2,035)	(2,885)	77,917	313,085	-75.11%
Capital contributions	0	0	2,647	2,115	2,647	2,115	100.00%
<b>Change in net assets</b>	<b>79,952</b>	<b>315,970</b>	<b>612</b>	<b>(770)</b>	<b>80,564</b>	<b>315,200</b>	<b>-74.44%</b>
Net assets beginning of year	1,940,476	1,624,506	29,600	30,370	1,970,076	1,654,876	19.05%
<b>Net assets end of year</b>	<b>\$ 2,020,428</b>	<b>1,940,476</b>	<b>\$ 30,212</b>	<b>29,600</b>	<b>2,050,640</b>	<b>1,970,076</b>	<b>4.09%</b>

Property tax, local option sales and service tax and unrestricted state grants (state aid and instructional support state aid) account for 63% 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 \$2,480,007, a decrease of 3.61% over the prior year. Total expenses for all of the Districts' governmental activities were \$2,400,055, an increase of 6.33% 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	\$ 1,544,981	793,799
Support services	717,724	717,724
Non-instructional	875	875
Other expenses	136,475	65,142
Totals	\$ 2,400,055	1,577,540

- The cost of all governmental activities this year was \$2,400,055.
- A portion of the cost financed by users of the District’s programs was \$577,904.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$244,611.
- The net cost portion of governmental activities was financed with \$694,754 in property tax, \$826,546 in state foundation aid, \$18,512 in interest income and \$117,650 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 \$102,991 in 2006, which is an increase of 2.79% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 1.89% to \$105,026 for business-type activities in 2006. No new equipment was purchased with Nutrition Fund monies this fiscal year, however the PPEL Fund paid \$2,647 for two new lunch room tables that are 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 \$937,508, an increase of \$20,725 over last years ending fund balances of \$916,783. In General Fund a federal Reap Grant of \$31,158, Title IIA Gant of \$12,843, and state Early Intervention Grant of \$13,785 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 four 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 83 open enrolled in to Stanton (with 8 out) as of September 2005. Approval of grants also had a positive impact on 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

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\$500, and this year \$18,371 was used to purchase a new phone system and trailer to haul equipment as well as for seal coating the parking lot.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net assets increased from \$29,600 in fiscal 2005 to \$30,212 in fiscal 2006, representing an increase of approximately 2.07%. This slight increase was due to an increase in charges for services.

### **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 on a GAAP 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 and other additional expenditures.

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**

- For the 2005-06 fiscal year the District budgeted for the first time on a GAAP basis. The District's total revenues for all funds were \$2,582,998, compared to the budgeted amount of \$2,545,907, which is \$37,091 or 1.46% more than budgeted.
- Total GAAP expenditures for all funds were \$2,564,408, as compared to the budgeted amount of \$2,752,623. The District was successful in efforts to control expenditures.
- Expenditures for the District's instruction, support services and non-instructional programs budget were amended a net total increase of \$20,100.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

By the end of fiscal 2006, the District had invested governmental funds of \$1,137,587, 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 \$2,270,237 invested in governmental fund capital assets, which represents an increase of \$21,773, or .96% from June 30, 2005.

In comparing fiscal 2006 to fiscal 2005, the largest change in capital assets activity occurred in additions of machinery and equipment valued at over \$1,500 per item, which included a 2005 van, football sled, used elementary copier, new phone system and a 2005 trailer.

Accumulated depreciation under GASB 34 at year end totaled \$1,132,650 for governmental funds, and this figure includes \$65,469 for the current year.

The Proprietary, or School Nutrition Fund, has a total of \$19,191, net of accumulated depreciation, invested in capital assets. Excluding depreciation, the District has invested a total of \$47,548 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
	2006	2005	2006	2005	2006	2005	2005-06
	Land	\$ 52,726	52,726	0	0	52,726	52,726
Buildings	921,194	952,948	0	0	921,194	952,948	-3.45%
Land improvements	58,107	61,666	0	0	58,107	61,666	-6.12%
Machinery and equipment	105,560	103,294	19,191	18,887	124,751	122,181	2.06%
Total	<u>\$ 1,137,587</u>	<u>1,170,634</u>	<u>\$ 19,191</u>	<u>18,887</u>	<u>\$ 1,156,778</u>	<u>1,189,521</u>	<u>-2.83%</u>

### Long-Term Debt

At year-end, the District had \$113,080 in general obligation and other long-term debt outstanding. This represents a decrease of 44.8% from last year's balance of \$205,000. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Early Retirement payable from the Special Revenue – Management Fund of \$8,080 at June 30, 2006.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General obligation bonds	\$ 105,000	205,000	-48.8%
Early retirement	8,080	0	100.0%
Totals	<u>\$ 113,080</u>	<u>205,000</u>	<u>-44.8%</u>

### 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 premium increases of 9.44% for 2005-06 followed the upward trend of recent years. However, for 2006-07 that increase will only be .84%. Increases in utilities and gasoline/diesel fuel also impacted the District's efforts to control expenditures.
- Contract negotiations with the Stanton Education Association were approved at a 3.87% increase for 2006-07 salaries/benefits for certificated personnel.
- Passage of a change in language for use of one cent Local Option Sales and Service Tax monies allowing the District to use these funds to purchase buses and equipment costing over \$500 has proved beneficial for the District.

- 
- The final payment on long term debt for building the elementary school addition will be made in 2007 and income from 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.
  - However, enrollment is down approximately 18 students for the 2006-07 year, which will result in a decrease of approximately \$92,304 in funding. This will require a budget reduction plan covering the next several years and some significant decisions on the part of the board.
  - 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.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:	\$ 1,105,959	13,150	1,119,109
Receivables			
Property tax:			
Delinquent	7,251	0	7,251
Succeeding year	614,965	0	614,965
Income surtax	58,789	0	58,789
Accounts	2,603	0	2,603
Due from other governments	61,890	0	61,890
Inventories	0	2,987	2,987
Capital assets, net of accumulated depreciation (Note 4)	1,137,587	19,191	1,156,778
<b>TOTAL ASSETS</b>	<b>2,989,044</b>	<b>35,328</b>	<b>3,024,372</b>
<b>LIABILITIES</b>			
Accounts payable	48,134	1,188	49,322
Salaries and benefits payable	192,061	2,737	194,798
Accrued interest payable	376	0	376
Deferred revenue:			
Succeeding year property tax	614,965	0	614,965
Unearned revenue	0	1,191	1,191
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds payable	105,000	0	105,000
Early retirement payable	8,080	0	8,080
<b>TOTAL LIABILITIES</b>	<b>968,616</b>	<b>5,116</b>	<b>973,732</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,137,587	19,191	1,156,778
Restricted for:			
Talented and gifted	24,153	0	24,153
Management levy	93,269	0	93,269
Physical plant and equipment levy	55,985	0	55,985
Other special revenue purposes	68,701	0	68,701
Unrestricted	640,733	11,021	651,754
<b>TOTAL NET ASSETS</b>	<b>\$ 2,020,428</b>	<b>30,212</b>	<b>2,050,640</b>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business-Type Activities	
Governmental activities:						
Instruction:						
Regular instruction	\$ 986,854	347,914	161,073	(477,867)	0	(477,867)
Special instruction	191,453	68,325	12,205	(110,923)	0	(110,923)
Other instruction	366,674	161,665	0	(205,009)	0	(205,009)
	<u>1,544,981</u>	<u>577,904</u>	<u>173,278</u>	<u>(793,799)</u>	<u>0</u>	<u>(793,799)</u>
Support services:						
Student services	60,183	0	0	(60,183)	0	(60,183)
Instructional staff services	10,138	0	0	(10,138)	0	(10,138)
Administration services	349,082	0	0	(349,082)	0	(349,082)
Operation and maintenance of plant services	185,177	0	0	(185,177)	0	(185,177)
Transportation services	113,144	0	0	(113,144)	0	(113,144)
	<u>717,724</u>	<u>0</u>	<u>0</u>	<u>(717,724)</u>	<u>0</u>	<u>(717,724)</u>
Non-instructional programs	875	0	0	(875)		(875)
Other expenditures:						
Facilities acquisitions	21,018	0	0	(21,018)	0	(21,018)
Long-term debt interest	8,811	0	0	(8,811)	0	(8,811)
AEA flowthrough	71,333	0	71,333	0	0	0
Depreciation (unallocated)*	35,313	0	0	(35,313)	0	(35,313)
	<u>136,475</u>	<u>0</u>	<u>71,333</u>	<u>(65,142)</u>	<u>0</u>	<u>(65,142)</u>
Total governmental activities	2,400,055	577,904	244,611	(1,577,540)	0	(1,577,540)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	105,026	63,698	39,254	0	(2,074)	(2,074)
Total business-type activities	<u>105,026</u>	<u>63,698</u>	<u>39,254</u>	<u>0</u>	<u>(2,074)</u>	<u>(2,074)</u>
Total	<u>\$ 2,505,081</u>	<u>641,602</u>	<u>283,865</u>	<u>(1,577,540)</u>	<u>(2,074)</u>	<u>(1,579,614)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 646,353	0	646,353
Debt service				34,216	0	34,216
Capital outlay				14,185	0	14,185
Local option sales and services				117,650	0	117,650
Unrestricted state grants				826,576	0	826,576
Unrestricted investment earnings				18,512	39	18,551
Total general revenues				<u>1,657,492</u>	<u>39</u>	<u>1,657,531</u>
Changes in net assets before capital contributions				79,952	(2,035)	77,917
Capital contributions				0	2,647	2,647
Changes in net assets				79,952	612	80,564
Net assets beginning of year				1,940,476	29,600	1,970,076
Net assets end of year				<u>\$ 2,020,428</u>	<u>30,212</u>	<u>2,050,640</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 795,604	310,355	1,105,959
Receivables:			
Property tax:			
Delinquent	6,363	888	7,251
Succeeding year	525,245	89,720	614,965
Income surtax	58,789	0	58,789
Accounts	1,364	1,239	2,603
Due from other governments	31,021	30,869	61,890
<b>TOTAL ASSETS</b>	<b>\$ 1,418,386</b>	<b>433,071</b>	<b>1,851,457</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 48,023	111	48,134
Salaries and benefits payable	192,061	0	192,061
Deferred revenue:			
Succeeding year property tax	525,245	89,720	614,965
Income surtax	58,789	0	58,789
Total liabilities	824,118	89,831	913,949
Fund balances:			
Reserved for:			
Talented and gifted	24,153	0	24,153
Debt service	0	695	695
Unreserved:			
Designated for special purpose	10,473	0	10,473
General	559,642	0	559,642
Capital projects	0	116,510	116,510
Management levy	0	101,349	101,349
Physical plant and equipment levy	0	55,985	55,985
Other special revenue purposes	0	68,701	68,701
Total fund balances	594,268	343,240	937,508
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,418,386</b>	<b>433,071</b>	<b>1,851,457</b>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2006

<b>Total fund balances of governmental funds (page 17)</b>	\$	937,508
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,137,587
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.		(376)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		58,789
Long-term liabilities, including bonds payable and early retirement payable are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(113,080)</u>
<b>Net assets of governmental activities (page 15)</b>	<b>\$</b>	<b><u>2,020,428</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	General	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 618,311	194,093	812,404
Tuition	416,239	0	416,239
Other	49,868	130,308	180,176
State sources	987,853	69	987,922
Federal sources	83,266	0	83,266
Total revenues	<u>2,155,537</u>	<u>324,470</u>	<u>2,480,007</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular instruction	973,263	5,405	978,668
Special instruction	191,453	0	191,453
Other instruction	243,373	121,976	365,349
	<u>1,408,089</u>	<u>127,381</u>	<u>1,535,470</u>
Support services:			
Student services	59,583	0	59,583
Instructional staff services	9,940	0	9,940
Administration services	342,803	9,690	352,493
Operation and maintenance of plant services	177,054	7,922	184,976
Transportation services	89,669	24,860	114,529
	<u>679,049</u>	<u>42,472</u>	<u>721,521</u>
Non-instructional programs	0	875	875
Other expenditures:			
Facilities acquisitions	0	21,018	21,018
Long-term debt:			
Principal	0	100,000	100,000
Interest and fiscal charges	0	9,165	9,165
AEA flowthrough	71,333	0	71,333
	<u>71,333</u>	<u>130,183</u>	<u>201,516</u>
Total expenditures	<u>2,158,471</u>	<u>300,911</u>	<u>2,459,382</u>
Excess(deficiency) of revenues over(under) expenditures	(2,934)	23,559	20,625
Other financing sources(uses):			
Transfers in	0	74,413	74,413
Transfers out	0	(74,413)	(74,413)
Sale of equipment	100	0	100
Total other financing sources(uses)	<u>100</u>	<u>0</u>	<u>100</u>
Net change in fund balances	(2,834)	23,559	20,725
Fund balance beginning of year	597,102	319,681	916,783
Fund balance end of year	<u>\$ 594,268</u>	<u>343,240</u>	<u>937,508</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, 2006

<b>Net change in fund balances - total governmental funds (page 19)</b>	\$	20,725
 <b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
 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	\$ 35,065	
Depreciation expense	<u>(68,112)</u>	(33,047)
 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>100,000</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.		
		354
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement payable		<u>(8,080)</u>
 <b>Changes in net assets of governmental activities (page 16)</b>	 \$	 <u>79,952</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006

	School Nutrition
<b>ASSETS</b>	
Cash and pooled investments	\$ 13,150
Inventories	2,987
Capital assets, net of accumulated depreciation(Note 4)	19,191
<b>TOTAL ASSETS</b>	<b>35,328</b>
 <b>LIABILITIES</b>	
Accounts payable	1,188
Salaries and benefits payable	2,737
Unearned revenue	1,191
<b>TOTAL LIABILITIES</b>	<b>5,116</b>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	19,191
Unrestricted	11,021
<b>TOTAL NET ASSETS</b>	<b>\$ 30,212</b>

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, 2006

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 63,698
TOTAL OPERATING REVENUES	63,698
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	37,289
Benefits	4,991
Services	355
Supplies	60,048
Depreciation	2,343
TOTAL OPERATING EXPENSES	105,026
OPERATING LOSS	(41,328)
NON-OPERATING REVENUES:	
State sources	1,753
Federal sources	37,501
Interest on investments	39
TOTAL NON-OPERATING REVENUES	39,293
Net loss before capital contributions	(2,035)
Capital contributions	2,647
Change in net assets	612
Net assets beginning of year	29,600
Net assets end of year	\$ 30,212

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 63,385
Cash received from miscellaneous operating activities	435
Cash payments to employees for services	(42,615)
Cash payments to suppliers for goods or services	(53,770)
Net cash used in operating activities	(32,565)
Cash flows from non-capital financing activities:	
State grants received	1,753
Federal grants received	34,765
Net cash provided by non-capital financing activities	36,518
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,647)
Net cash used in capital and related financing activities	(2,647)
Cash flows from investing activities:	
Interest on investments	39
Net cash provided by investing activities	39
Net increase in cash and cash equivalents	1,345
Cash and cash equivalents at beginning of year	11,805
Cash and cash equivalents at end of year	\$ 13,150
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (41,328)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	5,383
Depreciation	2,343
Decrease in inventories	62
Increase in accounts payable	1,188
Decrease in salaries and benefits payable	(335)
Increase in deferred revenue	122
Net cash used in operating activities	\$ (32,565)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 13,150

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$5,383.

During the year ended June 30, 2006, the Physical Plant and Equipment Fund contributed capital of \$2,647.

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 47,730
TOTAL ASSETS	<u>47,730</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 47,730</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2006

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 1,543
Total additions	<u>1,543</u>
Deductions:	
Support services:	
Scholarships awarded	<u>1,365</u>
Change in net assets	178
Net assets beginning of year	<u>47,552</u>
Net assets end of year	<u>\$ 47,730</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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

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

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

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

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

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.

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment, 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
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	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.

#### Unearned Revenues

Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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

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

The District's deposits at June 30, 2006 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, 2006 are as follows:

Type	Fair Value
ING USA Annuity and Life Insurance Company	\$ 11,177

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, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 74,413

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, 2006 was 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	1,573,556	0	0	1,573,556
Land improvements	71,172	0	0	71,172
Machinery and equipment	551,010	35,065	13,292	572,783
Total capital assets being depreciated	2,195,738	35,065	13,292	2,217,511
Less accumulated depreciation for:				
Buildings	620,608	31,754	0	652,362
Land improvements	9,506	3,559	0	13,065
Machinery and equipment	447,716	30,156	10,649	467,223
Total accumulated depreciation	1,077,830	65,469	10,649	1,132,650
Total capital assets being depreciated, net	1,117,908	(30,404)	2,643	1,084,861
Governmental activities capital assets, net	\$ 1,170,634	(30,404)	2,643	1,137,587

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 44,901	2,647	0	47,548
Less accumulated depreciation	26,014	2,343	0	28,357
Business-type activities capital assets, net	\$ 18,887	304	0	19,191

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,306
Other		3,560
Support services:		
Student support		600
Instructional staff		198
Administration		1,056
Operation and maintenance of plant		201
Transportation		20,235
		<u>30,156</u>
Unallocated depreciation		<u>35,313</u>
Total depreciation expense - governmental activities		<u>\$ 65,469</u>
Business-type activities:		
Food service operations		<u>\$ 2,343</u>

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 205,000	0	100,000	105,000	105,000
Early retirement	0	8,080	0	8,080	8,080
	<u>\$ 205,000</u>	<u>8,080</u>	<u>100,000</u>	<u>113,080</u>	<u>113,080</u>

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	4.30 %	\$ 105,000	4,515	109,515

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age

fifty-five and employees must have completed twenty years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will pay 20% of the employee's contracted base salary in the last year of employment less the employee's share of FICA. A liability has been recorded in the Statement of Net Assets for government-wide activities for these early retirement benefits.

**(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 covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$77,794, \$72,725 and \$71,191, respectively, equal to the required contributions for each year.

**(7) Risk Management**

The Stanton Community School 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 was 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, 2006 were \$251,248.

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.

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 \$71,333 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

STANTON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2006

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
<b>Revenues:</b>						
Local sources	\$ 1,408,819	63,737	1,472,556	1,426,451	1,426,451	46,105
State sources	987,922	1,753	989,675	987,956	987,956	1,719
Federal sources	83,266	37,501	120,767	131,500	131,500	(10,733)
Total revenues	<u>2,480,007</u>	<u>102,991</u>	<u>2,582,998</u>	<u>2,545,907</u>	<u>2,545,907</u>	<u>37,091</u>
<b>Expenditures:</b>						
Instruction	1,535,470	0	1,535,470	1,603,000	1,610,000	74,530
Support services	721,521	0	721,521	774,900	783,000	61,479
Non-instructional programs	875	105,026	105,901	108,000	113,000	7,099
Other expenditures	201,516	0	201,516	246,623	246,623	45,107
Total expenditures	<u>2,459,382</u>	<u>105,026</u>	<u>2,564,408</u>	<u>2,732,523</u>	<u>2,752,623</u>	<u>188,215</u>
Excess(deficiency) of revenues over(under) expenditures	20,625	(2,035)	18,590	(186,616)	(206,716)	(225,306)
Other financing sources, net	100	2,647	2,747	0	0	(2,747)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	20,725	612	21,337	(186,616)	(206,716)	(228,053)
Balance beginning of year	916,783	29,600	946,383	1,005,573	1,005,573	(59,190)
Balance end of year	<u>\$ 937,508</u>	<u>30,212</u>	<u>967,720</u>	<u>818,957</u>	<u>798,857</u>	<u>168,863</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

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 GAAP basis.

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. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$20,100.

OTHER SUPPLEMENTARY INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006

	Special Revenue Funds						Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
<b>ASSETS</b>							
Cash and pooled investments	\$ 99,784	68,812	55,820	224,416	298	85,641	310,355
Receivables:							
Property tax:							
Current year delinquent	326	0	165	491	397	0	888
Succeeding year	35,000	0	14,805	49,805	39,915	0	89,720
Accounts	1,239	0	0	1,239	0	0	1,239
Due from other governments	0	0	0	0	0	30,869	30,869
<b>TOTAL ASSETS</b>	<b>\$ 136,349</b>	<b>68,812</b>	<b>70,790</b>	<b>275,951</b>	<b>40,610</b>	<b>116,510</b>	<b>433,071</b>
<b>LIABILITIES AND FUND EQUITY</b>							
Liabilities:							
Accounts payable	\$ 0	111	0	111	0	0	111
Deferred revenue:							
Succeeding year property tax	35,000	0	14,805	49,805	39,915	0	89,720
Total liabilities	35,000	111	14,805	49,916	39,915	0	89,831
Fund equity:							
Fund balances:							
Reserved for:							
Debt service	0	0	0	0	695	0	695
Unreserved:							
Undesignated	101,349	68,701	55,985	226,035	0	116,510	342,545
Total fund equity	101,349	68,701	55,985	226,035	695	116,510	343,240
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 136,349</b>	<b>68,812</b>	<b>70,790</b>	<b>275,951</b>	<b>40,610</b>	<b>116,510</b>	<b>433,071</b>

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, 2006

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Capital Projects	
REVENUES:							
Local sources:							
Local tax	\$ 28,042	0	14,185	42,227	34,216	117,650	194,093
Other	4,627	125,221	136	129,984	324	0	130,308
State sources	25	0	13	38	31	0	69
TOTAL REVENUES	<u>32,694</u>	<u>125,221</u>	<u>14,334</u>	<u>172,249</u>	<u>34,571</u>	<u>117,650</u>	<u>324,470</u>
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	5,405	0	0	5,405	0	0	5,405
Other instruction	0	121,976	0	121,976	0	0	121,976
Support services:							
Administration services	9,690	0	0	9,690	0	0	9,690
Operation and maintenance of plant services	7,922	0	0	7,922	0	0	7,922
Student transportation	7,890	0	16,970	24,860	0	0	24,860
Non-instructional programs	875	0	0	875	0	0	875
Other expenditures:							
Facilities acquisitions	0	0	2,647	2,647	0	18,371	21,018
Long-term debt:							
Principal	0	0	0	0	100,000	0	100,000
Interest and fiscal charges	0	0	0	0	9,165	0	9,165
TOTAL EXPENDITURES	<u>31,782</u>	<u>121,976</u>	<u>19,617</u>	<u>173,375</u>	<u>109,165</u>	<u>18,371</u>	<u>300,911</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	912	3,245	(5,283)	(1,126)	(74,594)	99,279	23,559
OTHER FINANCING SOURCES (USES):							
Transfers in	0	0	0	0	74,413	0	74,413
Transfers out	0	0	0	0	0	(74,413)	(74,413)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>74,413</u>	<u>(74,413)</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	912	3,245	(5,283)	(1,126)	(181)	24,866	23,559
FUND BALANCE BEGINNING OF YEAR	<u>100,437</u>	<u>65,456</u>	<u>61,268</u>	<u>227,161</u>	<u>876</u>	<u>91,644</u>	<u>319,681</u>
FUND BALANCE END OF YEAR	<u>\$ 101,349</u>	<u>68,701</u>	<u>55,985</u>	<u>226,035</u>	<u>695</u>	<u>116,510</u>	<u>343,240</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest on Investments	\$ 15,117	199	15,316	0
School Play	1,195	363	248	1,310
Musical Events	10,593	8,890	13,192	6,291
Elementary Music	2,677	1,360	1,038	2,999
Band Repair	(1,993)	2,424	567	(136)
Basketball	19,564	9,415	28,979	0
Baseball	(9,276)	4,383	(4,893)	0
Track	(7,953)	5,151	(2,802)	0
Football/Volleyball Fundraisers	3,478	2,932	3,174	3,236
Football	1,129	4,403	5,532	0
Volleyball	9,168	6,698	15,866	0
Athletics	0	1,549	(19,430)	20,979
Class of 2006	3,215	3,207	6,422	0
Class of 2007	1,714	11,338	9,178	3,874
Class of 2008	560	310	(124)	994
Class of 2009	235	335	(123)	693
Class of 2010	145	165	(123)	433
Class of 2011	0	75	(123)	198
Class Gifts	2,116	6	(230)	2,352
Declam	(9,442)	21	(9,421)	0
Future Farmers	1,704	14,297	11,490	4,511
FCCLA	(618)	12,250	11,190	442
Math Club	130	0	(123)	253
National Honor Society	724	0	147	577
Peer/Quest	32	0	32	0
Pep Club	1,988	2,412	2,828	1,572
Cheerleaders	1,781	829	195	2,415
Drill Team	(120)	0	(120)	0
Student Council	3,573	3,343	2,274	4,642
Yearbook	8,591	7,859	7,408	9,042
Student Projects	92	817	837	72
Commissary	(836)	9,436	9,256	(656)
Student Book Fair	578	1,109	998	689
Elementary Field Trip	0	190	190	0
Jr High Athletics	3,464	3,946	7,410	0
Co-Curricular	1,960	2,233	2,460	1,733
FCCLA Fundraiser	204	2,440	2,458	186
FCS student project	(33)	836	803	0
<b>Total</b>	<b>\$ 65,456</b>	<b>125,221</b>	<b>121,976</b>	<b>68,701</b>

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,			
	2006	2005	2004	2003
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 812,404	774,478	839,447	770,794
Tuition	416,239	363,162	288,017	256,585
Other	180,176	175,811	199,578	178,256
State sources	987,922	1,037,699	964,363	1,027,544
Federal sources	83,266	102,547	131,029	107,475
<b>Total</b>	<b>\$ 2,480,007</b>	<b>2,453,697</b>	<b>2,422,434</b>	<b>2,340,654</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 978,668	914,534	892,927	891,545
Special instruction	191,453	172,608	186,612	172,972
Other instruction	365,349	372,540	349,119	331,666
Support services:				
Student services	59,583	57,849	58,727	81,938
Instructional staff services	9,940	6,294	9,633	8,972
Administration services	352,493	336,369	291,741	413,934
Operation and maintenance of plant services	184,976	164,924	173,358	172,092
Transportation services	114,529	145,957	69,617	112,356
Central services	0	0	9,162	3,469
Non-instructional programs	875	2,075	2,518	1,978
Other expenditures:				
Facilities acquisitions	21,018	6,844	49,206	5,699
Long-term debt:				
Principal	100,000	95,000	95,000	90,000
Interest and other charges	9,165	13,155	16,998	20,687
AEA flow-through	71,333	72,446	72,998	79,013
<b>Total</b>	<b>\$ 2,459,382</b>	<b>2,360,595</b>	<b>2,277,616</b>	<b>2,386,321</b>

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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 29, 2006. 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-06 is a material weakness.

#### Compliance and Other Matters

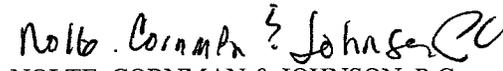
As part of obtaining reasonable assurance about whether Stanton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and , non-compliance with which could have a direct and material 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.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 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, P.C.

August 29, 2006

STANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-06 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-06 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-06 Financial Condition - The District had two accounts in the Student Activity Fund with deficit balances at June 30, 2006.

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.

STANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 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-C-06 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-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Don Hicks, Teacher Paint Partnership	Painting	\$564

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the teacher do not appear to represent a conflict of interest.

- II-E-06 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-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit.  
  
Recommendation - The District should contact the appropriate bank and rectify the situation.  
  
Response - We will comply with this recommendation.  
  
Conclusion - Response accepted.
- II-I-06 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.