# CRESTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Creston Community School District

Officials

| Name | Title | Term Expires |
|---|---|---|
| | **Board of Education (Before September 2008 Election)** | |
| Robert Deranleau | President | 2010 |
| Bobbie McFee | Vice President | 2008 |
| Barb Wilmeth | Board Member | 2008 |
| Randy Hughes | Board Member | 2009 |
| Stacy Wood | Board Member | 2009 |
| | **Board of Education (After September 2008 Election)** | |
| Robert Deranleau | President | 2009 * |
| Stacy Wood | Vice President | 2009 |
| Chad Briley | Board Member | 2011 |
| Brian Strider | Board Member | 2011 |
| Randy Hughes | Board Member | 2009 |
| | **School Officials** | |
| Tim Hood | Superintendent | 2009 |
| Donald M. Krings | Board Secretary/ Business Manager | 2009 |
| Pat Moeller | District Treasurer | 2009 |
| Gruhn Law Firm | Attorney | 2009 |

* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**NOLTE, CORNMAN & JOHNSON P.C.**
**Certified Public Accountants**
**(a professional corporation)**
**117 West 3rd Street North, Newton, Iowa 50208-3050**
**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Creston 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 Creston Community School District, Creston, Iowa, as of and for the year ended June 30, 2009, 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 Creston Community School District at June 30, 2009, 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 March 23, 2010 on our consideration of Creston 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 and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Creston 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 five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Creston Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

## 2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $13,245,277 in fiscal 2008 to $13,615,829 in fiscal 2009, while General Fund expenditures increased from $13,032,692 in fiscal 2008 to $13,539,321 in fiscal 2009. This resulted in an increase in the District's General Fund balance from $1,488,866 in fiscal 2008 to a balance of $1,565,374 in fiscal 2009, a 5.14% increase from the prior year.

- The increase in General Fund revenues was attributable to increases in state and federal source revenues in fiscal 2009. The increase in expenditures was due primarily to an increase in instructional expenses.

- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 9.2% for fiscal year 2008 to 9.6% for fiscal year 2009. The State School Budget Review Committee recommends a solvency ratio between 5% and 10%.

## 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 Creston 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 Creston 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 Creston Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

***Figure A-1***
***Creston Community School District Annual Financial Report***

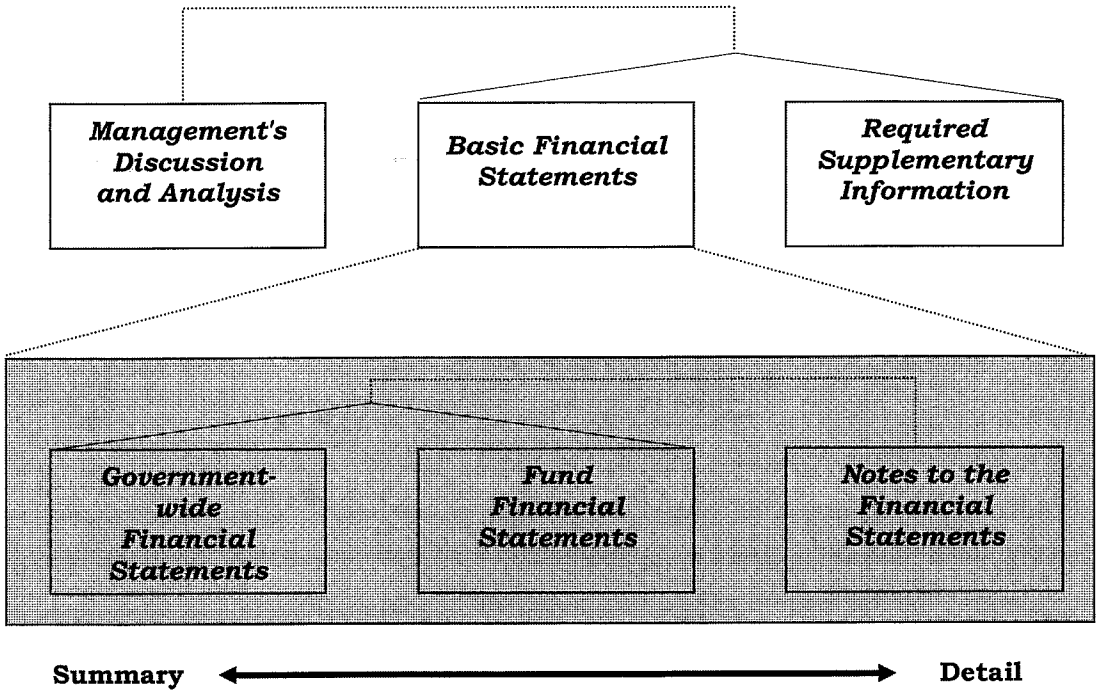

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

***Figure A-2***
***Major Features of the Government-Wide and Fund Financial Statements***

| | Government-wide Statements | Fund Statements | | |
|---|---|---|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire district (except fiduciary funds) | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance | Activities the district operates similar to private businesses, e.g., food service | Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | • Statement of net assets<br>• Statement of activities | • Balance sheet<br>• Statement of revenues, expenditures, and changes in fund balances | • Statement of revenues, expenses and changes in net assets<br>• Statement of cash flows | • Statement of fiduciary net assets<br>• 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 financial 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. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the agency fund.

- Agency Fund - These are funds for which the District administers and accounts for certain employee's cafeteria health insurance premiums and related expenditures.

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 District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

| | Governmental Activities | | Business type Activities | | Total School District | | Total Change |
|---|---|---|---|---|---|---|---|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2008-09 |
| Current and other assets | $ 9,546,108 | 8,818,391 | 200,592 | 181,311 | 9,746,700 | 8,999,702 | 8.30% |
| Capital assets | 20,976,948 | 21,275,339 | 238,988 | 237,471 | 21,215,936 | 21,512,810 | -1.38% |
| Total assets | 30,523,056 | 30,093,730 | 439,580 | 418,782 | 30,962,636 | 30,512,512 | 1.48% |
| Long-term obligations | 11,753,071 | 12,337,728 | 929 | 0 | 11,754,000 | 12,337,728 | -4.73% |
| Other liabilities | 6,083,082 | 6,075,356 | 51,100 | 48,795 | 6,134,182 | 6,124,151 | 0.16% |
| Total liabilities | 17,836,153 | 18,413,084 | 52,029 | 48,795 | 17,888,182 | 18,461,879 | -3.11% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 9,421,948 | 9,030,339 | 238,988 | 237,471 | 9,660,936 | 9,267,810 | 4.24% |
| Restricted | 2,058,497 | 1,426,915 | 0 | 0 | 2,058,497 | 1,426,915 | 44.26% |
| Unrestricted | 1,206,458 | 1,223,392 | 148,563 | 132,516 | 1,355,021 | 1,355,908 | -0.07% |
| Total net assets | $ 12,686,903 | 11,680,646 | 387,551 | 369,987 | 13,074,454 | 12,050,633 | 8.50% |

The District's combined net assets increased by 8.50% or approximately $1,023,821 over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other that 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 increased $631,582 or 44.26% over the prior year. The increase in restricted fund balance is mainly attributable to the increase in fund balance of the Capital Projects Fund.

Unrestricted net assets- the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirements- decreased $887 or 0.07%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

| | Governmental Activities | | Business type Activities | | Total School District | | Total Change |
|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2008-09 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | $ 854,421 | 1,022,768 | 300,248 | 283,287 | 1,154,669 | 1,306,055 | -11.59% |
| Operating grants and contributions and restricted interest | 3,122,238 | 2,250,226 | 387,835 | 350,995 | 3,510,073 | 2,601,221 | 34.94% |
| Capital grants and contributions and restricted interest | 7,844 | 0 | 0 | 0 | 7,844 | 0 | 100.00% |
| General revenues: | | | | | | | |
| Local tax | 4,586,221 | 4,201,540 | 0 | 0 | 4,586,221 | 4,201,540 | 9.16% |
| Statewide sales and service tax | 1,106,425 | 1,056,270 | 0 | 0 | 1,106,425 | 1,056,270 | 4.75% |
| Unrestricted state grants | 6,154,640 | 6,710,078 | 0 | 0 | 6,154,640 | 6,710,078 | -8.28% |
| Other | 362,788 | 713,175 | 21,033 | 17,837 | 383,821 | 731,012 | -47.49% |
| Total revenues | 16,194,577 | 15,954,057 | 709,116 | 652,119 | 16,903,693 | 16,606,176 | 1.79% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instructional | 9,487,142 | 8,771,587 | 0 | 30 | 9,487,142 | 8,771,617 | 8.16% |
| Support services | 4,047,873 | 4,129,002 | 95,477 | 87,515 | 4,143,350 | 4,216,517 | -1.74% |
| Non-instructional programs | 0 | 0 | 596,075 | 621,165 | 596,075 | 621,165 | -4.04% |
| Other expenses | 1,653,305 | 2,074,238 | 0 | 0 | 1,653,305 | 2,074,238 | -20.29% |
| Total expenses | 15,188,320 | 14,974,827 | 691,552 | 708,710 | 15,879,872 | 15,683,537 | 1.25% |
| Change in net assets | 1,006,257 | 979,230 | 17,564 | (56,591) | 1,023,821 | 922,639 | 10.97% |
| Net assets beginning of year | 11,680,646 | 10,701,416 | 369,987 | 426,578 | 12,050,633 | 11,127,994 | 8.29% |
| Net assets end of year | $ 12,686,903 | 11,680,646 | 387,551 | 369,987 | 13,074,454 | 12,050,633 | 8.50% |

Local tax and unrestricted state grants account for 66.32% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97.03% of the revenue from business type activities.

The District's total revenues were approximately $16.90 million of which approximately $16.20 million was for governmental activities and approximately $0.70 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.79% increase in revenues and a 1.25% increase in expenses. Local tax increased $384,681 and statewide sales and services tax increased $50,155 to fund expenditures. The increase in expenses related to increases in the negotiated salaries and benefits, as well as increases in expenses related to the net OPEB liability.

**Governmental Activities**

Revenues for governmental activities were $16,194,577 and expenses were $15,188,320.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | Change 2008-09 | 2009 | 2008 | Change 2008-09 |
| Instruction | $ 9,487,142 | 8,771,587 | 7.54% | 6,029,515 | 6,014,835 | 0.24% |
| Support services | 4,047,873 | 4,129,002 | -2.00% | 4,037,540 | 4,106,634 | -1.71% |
| Other expenses | 1,653,305 | 2,074,238 | -25.46% | 1,136,762 | 1,580,364 | -39.02% |
| Totals | $ 15,188,320 | 14,974,827 | 1.41% | 11,203,817 | 11,701,833 | -4.45% |

- The cost financed by users of the District's programs was $854,421.
- Federal and state governments subsidized certain programs with grants and contributions totaling $3,130,082.
- The net cost of governmental activities was financed with $4,586,221 in local tax, $1,106,425 in statewide sales and service tax, $6,154,640 in unrestricted state grants, and $32,586 in interest income and $330,202 in other general revenues.

**Business type Activities**

Revenues of the District's business type activities were $709,116 and expenses were $691,552. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of $3,459,545, above last year's ending fund balances of a $2,732,140.

**Governmental Fund Highlights**

- The District's improving General Fund financial position is the product of many factors. Increases in the state and federal source revenues during the year resulted in an increase in revenues. Normal increases in insurance, transportation and maintenance costs allowed for an increase in expenditures during the year. The increase in expenditures was less than the increase in revenues ensuring an increase in the financial position of the District.
- The Capital Projects fund balance increased during the current year, from $559,753 to $1,098,448. This increase in fund balance was primarily due to the completion of prior year construction projects without beginning any new projects.
- The Debt Service fund balance decreased during the current year, from $76,139 to $18,698. The decrease in fund balance was mainly a result of the District not transferring as much from the Capital Projects Fund to pay principal and interest on the District's general obligation debt indebtedness.

### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from $369,987 at June 30, 2008 to $387,551 at June 30, 2009, representing an increase of 4.75%.

## BUDGETARY HIGHLIGHTS

The District's revenues were $1,123,468 less than budgeted revenues, a variance of 6.24%. Other than intermediate sources, the most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested $21,215,936, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.38% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was $682,860.

The original cost of the District's capital assets was $30,031,172. Governmental funds account for $29,476,445 with $554,727 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled $0 at June 30, 2009, compared to $246,699 reported at June 30, 2008.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental Activities | | Business type Activities | | Total School District | | Total Change |
|---|---|---|---|---|---|---|---|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2008-09 |
| Land | $ 155,965 | 155,965 | 0 | 0 | 155,965 | 155,965 | 0.00% |
| Construction in progress | 0 | 246,699 | 0 | 0 | 0 | 246,699 | -100.00% |
| Buildings | 19,811,324 | 20,018,412 | 0 | 0 | 19,811,324 | 20,018,412 | -1.03% |
| Improvements other than buildings | 698,838 | 595,385 | 0 | 0 | 698,838 | 595,385 | 17.38% |
| Machinery and equipment | 310,821 | 258,878 | 238,988 | 237,471 | 549,809 | 496,349 | 10.77% |
| Total | $ 20,976,948 | 21,275,339 | 238,988 | 237,471 | 21,215,936 | 21,512,810 | -1.38% |

### Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of $11,754,000 in general obligation bonds, capital loan notes and other long-term debt. This represents a decrease of approximately 4.73% from last year. (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 general obligation bonds payable of $10,600,000 at June 30, 2009.

The District had total outstanding capital loan notes payable of $955,000 at June 30, 2009.

The District also had total outstanding early retirement payable of $110,000 at June 30, 2009.

During the year ended June 30, 2009, the District implemented GASB 45(other postemployment benefits). The liability associated with the implementation is $89,000.

Figure A-7
Outstanding Long-Term Obligations

| | Governmental Activities | | Business type Activities | | Total School District | | Total Change |
|---|---|---|---|---|---|---|---|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2008-09 |
| General obligation bonds | $ 10,600,000 | 11,150,000 | 0 | 0 | 10,600,000 | 11,150,000 | -4.93% |
| Capital loan notes | 955,000 | 1,095,000 | 0 | 0 | 955,000 | 1,095,000 | -12.79% |
| Early retirement | 110,000 | 92,728 | 0 | 0 | 110,000 | 92,728 | 18.63% |
| Net OPEB liability | 88,071 | 0 | 929 | 0 | 89,000 | 0 | 100.00% |
| Total | $ 11,753,071 | 12,337,728 | 929 | 0 | 11,754,000 | 12,337,728 | -4.73% |

## 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:

- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Creston Community Schools employer benefit costs over the next four years.

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.

## 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 Donald M. Krings, District Business Manager, Creston Community School District, 619 N Maple, Creston, Iowa, 50801.

# BASIC FINANCIAL STATEMENTS

Exhibit A

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

| | Governmental Activities | Business type Activities | Total |
|---|---|---|---|
| Assets | | | |
| Cash and pooled investments | $ 4,325,065 | 175,930 | 4,500,995 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 89,462 | 0 | 89,462 |
| Succeeding year | 4,576,464 | 0 | 4,576,464 |
| Income surtax | 108,355 | 0 | 108,355 |
| Due from other governments | 446,762 | 0 | 446,762 |
| Inventories | 0 | 24,662 | 24,662 |
| Capital assets, net of accumulated depreciation | 20,976,948 | 238,988 | 21,215,936 |
| Total Assets | 30,523,056 | 439,580 | 30,962,636 |
| Liabilities | | | |
| Accounts payable | $ 51,259 | 0 | 51,259 |
| Salary and benefits payable | 1,273,514 | 44,212 | 1,317,726 |
| Interest payable | 104,874 | 0 | 104,874 |
| Deferred revenue: | | | |
| Succeeding year property tax | 4,576,464 | 0 | 4,576,464 |
| Other | 76,971 | 0 | 76,971 |
| Unearned revenue | 0 | 6,888 | 6,888 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds | 580,000 | 0 | 580,000 |
| Capital loan notes | 145,000 | 0 | 145,000 |
| Early retirement | 60,000 | 0 | 60,000 |
| Portion due after one year: | | | |
| General obligation bonds | 10,020,000 | 0 | 10,020,000 |
| Capital loan notes | 810,000 | 0 | 810,000 |
| Early retirement | 50,000 | 0 | 50,000 |
| Net OPEB liability | 88,071 | 929 | 89,000 |
| Total Liabilities | 17,836,153 | 52,029 | 17,888,182 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 9,421,948 | 238,988 | 9,660,936 |
| Restricted for: | | | |
| Debt service | 18,698 | 0 | 18,698 |
| Categorical funding | 165,971 | 0 | 165,971 |
| Management levy | 73,482 | 0 | 73,482 |
| Physical plant and equipment levy | 572,740 | 0 | 572,740 |
| Capital projects | 1,098,448 | 0 | 1,098,448 |
| Other special revenue purposes | 129,158 | 0 | 129,158 |
| Unrestricted | 1,206,458 | 148,563 | 1,355,021 |
| Total Net Assets | $ 12,686,903 | 387,551 | 13,074,454 |

TOTAL LIABILITIES, FUND EQUITY AND

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

# CRESTON COMMUNITY SCHOOL DISTRICT
## STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2009

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|---|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | Govern-mental Activities | Business Type Activities | Total |
| **Functions/Programs:** | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction: | | | | | | | |
| Regular | $ 6,167,116 | 523,543 | 2,248,564 | 0 | (3,395,009) | 0 | (3,395,009) |
| Special | 1,893,545 | 129,145 | 170,957 | 0 | (1,593,443) | 0 | (1,593,443) |
| Other | 1,426,481 | 201,733 | 183,685 | 0 | (1,041,063) | 0 | (1,041,063) |
| | 9,487,142 | 854,421 | 2,603,206 | 0 | (6,029,515) | 0 | (6,029,515) |
| Support services: | | | | | | | |
| Student | 338,601 | 0 | 0 | 0 | (338,601) | 0 | (338,601) |
| Instructional staff | 276,294 | 0 | 0 | 0 | (276,294) | 0 | (276,294) |
| Administration | 1,468,616 | 0 | 0 | 0 | (1,468,616) | 0 | (1,468,616) |
| Operation and maintenance of plant | 1,428,425 | 0 | 0 | 0 | (1,428,425) | 0 | (1,428,425) |
| Transportation | 535,937 | 0 | 10,333 | 0 | (525,604) | 0 | (525,604) |
| | 4,047,873 | 0 | 10,333 | 0 | (4,037,540) | 0 | (4,037,540) |
| Other expenditures: | | | | | | | |
| Facilities acquisitions | 0 | 0 | 0 | 7,844 | 7,844 | 0 | 7,844 |
| Long-term debt interest | 579,993 | 0 | 0 | 0 | (579,993) | 0 | (579,993) |
| AEA flowthrough | 508,699 | 0 | 508,699 | 0 | 0 | 0 | 0 |
| Depreciation (unallocated)* | 564,613 | 0 | 0 | 0 | (564,613) | 0 | (564,613) |
| | 1,653,305 | 0 | 508,699 | 7,844 | (1,136,762) | 0 | (1,136,762) |
| Total governmental activities | 15,188,320 | 854,421 | 3,122,238 | 7,844 | (11,203,817) | 0 | (11,203,817) |
| Business Type activities: | | | | | | | |
| Support services: | | | | | | | |
| Administration | 84,282 | 0 | 0 | 0 | 0 | (84,282) | (84,282) |
| Operation and maintenance of plant | 11,195 | 0 | 0 | 0 | 0 | (11,195) | (11,195) |
| Total support services | 95,477 | 0 | 0 | | 0 | (95,477) | (95,477) |
| Non-instructional programs: | | | | | | | |
| Nutrition services | 596,075 | 300,248 | 387,835 | 0 | 0 | 92,008 | 92,008 |
| Total business type activities | 691,552 | 300,248 | 387,835 | 0 | 0 | (3,469) | (3,469) |
| Total | $ 15,879,872 | 1,154,669 | 3,510,073 | 7,844 | (11,203,817) | (3,469) | (11,207,286) |
| **General Revenues:** | | | | | | | |
| Property tax levied for: | | | | | | | |
| General purposes | | | | | $ 3,731,072 | 0 | 3,731,072 |
| Debt services | | | | | 542,714 | 0 | 542,714 |
| Capital outlay | | | | | 193,099 | 0 | 193,099 |
| Income surtax | | | | | 119,336 | 0 | 119,336 |
| Statewide sales and service tax | | | | | 1,106,425 | 0 | 1,106,425 |
| Unrestricted state grants | | | | | 6,154,640 | 0 | 6,154,640 |
| Unrestricted investment earnings | | | | | 32,586 | 20,271 | 52,857 |
| Other | | | | | 330,202 | 762 | 330,964 |
| Total general revenues | | | | | 12,210,074 | 21,033 | 12,231,107 |
| Changes in net assets | | | | | 1,006,257 | 17,564 | 1,023,821 |
| Net assets beginning of year | | | | | 11,680,646 | 369,987 | 12,050,633 |
| Net assets end of year | | | | | $ 12,686,903 | 387,551 | 13,074,454 |

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit C

CRESTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

| | General | Capital Projects | Debt Service | Other Nonmajor Governmental Funds | Total |
|---|---|---|---|---|---|
| Assets | | | | | |
| Cash and pooled investments | $ 2,716,267 | 934,083 | 8,227 | 666,488 | 4,325,065 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 72,025 | 0 | 10,471 | 6,966 | 89,462 |
| Succeeding year | 3,588,911 | 0 | 615,700 | 371,853 | 4,576,464 |
| Income surtax | 0 | 0 | 0 | 108,355 | 108,355 |
| Interfund | 0 | 0 | 0 | 103,571 | 103,571 |
| Due from other governments | 282,397 | 164,365 | 0 | 0 | 446,762 |
| Total Assets | $ 6,659,600 | 1,098,448 | 634,398 | 1,257,233 | 9,649,679 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Interfund | $ 103,571 | 0 | 0 | 0 | 103,571 |
| Accounts payable | 51,259 | 0 | 0 | 0 | 51,259 |
| Salaries and benefits payable | 1,273,514 | 0 | 0 | 0 | 1,273,514 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 3,588,911 | 0 | 615,700 | 371,853 | 4,576,464 |
| Income surtax | 0 | 0 | 0 | 108,355 | 108,355 |
| Other | 76,971 | 0 | 0 | 0 | 76,971 |
| Total liabilities | 5,094,226 | 0 | 615,700 | 480,208 | 6,190,134 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Debt service | 0 | 0 | 18,698 | 0 | 18,698 |
| Categorical funding | 165,971 | 0 | 0 | 0 | 165,971 |
| Unreserved: | | | | | |
| Designated for special purpose | 99,031 | 0 | 0 | 0 | 99,031 |
| Undesignated | 1,300,372 | 1,098,448 | 0 | 777,025 | 3,175,845 |
| Total fund balances | 1,565,374 | 1,098,448 | 18,698 | 777,025 | 3,459,545 |
| Total Liabilities and Fund Balances | $ 6,659,600 | 1,098,448 | 634,398 | 1,257,233 | 9,649,679 |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

CRESTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

| | |
|---|---|
| **Total fund balances of governmental funds (page 15)** | $ 3,459,545 |
| ***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 reported as assets in the governmental funds. | 20,976,948 |
| Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (104,874) |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. | 108,355 |
| Long-term liabilities, including bonds payable, capital loan notes payable, early retirement and other postemployment benefits are not due and payable in the current period and, are not reported as liabilities in the governmental funds. | (11,753,071) |
| **Net assets of governmental activities (page 13)** | $ 12,686,903 |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

# CRESTON COMMUNITY SCHOOL DISTRICT
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
## YEAR ENDED JUNE 30, 2009

| | General | Capital Projects | Debt Service | Other Nonmajor Governmental Funds | Total |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Local tax | $ 3,570,404 | 1,106,425 | 542,714 | 470,667 | 5,690,210 |
| Tuition | 589,692 | 0 | 0 | 0 | 589,692 |
| Other | 448,541 | 6,863 | 708 | 447,960 | 904,072 |
| State sources | 8,037,426 | 0 | 385 | 257 | 8,038,068 |
| Federal sources | 962,659 | 0 | 0 | 333 | 962,992 |
| Total revenues | 13,608,722 | 1,113,288 | 543,807 | 919,217 | 16,185,034 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 6,028,521 | 0 | 0 | 72,192 | 6,100,713 |
| Special | 1,890,125 | 0 | 0 | 0 | 1,890,125 |
| Other | 1,106,805 | 0 | 0 | 339,809 | 1,446,614 |
| | 9,025,451 | 0 | 0 | 412,001 | 9,437,452 |
| Support services: | | | | | |
| Student | 347,350 | 0 | 0 | 0 | 347,350 |
| Instructional | 289,558 | 0 | 0 | 1,399 | 290,957 |
| Administration | 1,467,173 | 20,050 | 0 | 2,300 | 1,489,523 |
| Operation and maintenance of plant | 1,365,490 | 0 | 0 | 87,209 | 1,452,699 |
| Transportation services | 535,600 | 0 | 0 | 0 | 535,600 |
| | 4,005,171 | 20,050 | 0 | 90,908 | 4,116,129 |
| Non-instructional: | | | | | |
| Food service operations | 0 | 0 | 0 | 7,183 | 7,183 |
| Other expenditures: | | | | | |
| Facilities acquisitions | 0 | 70,050 | 0 | 65,080 | 135,130 |
| Long-term debt: | | | | | |
| Principal | 0 | 0 | 690,000 | 0 | 690,000 |
| Interest and fiscal charges | 0 | 0 | 570,143 | 0 | 570,143 |
| AEA flowthrough | 508,699 | 0 | 0 | 0 | 508,699 |
| | 508,699 | 70,050 | 1,260,143 | 65,080 | 1,903,972 |
| Total expenditures | 13,539,321 | 90,100 | 1,260,143 | 575,172 | 15,464,736 |
| Excess(deficiency) of revenues over(under) expenditures | 69,401 | 1,023,188 | (716,336) | 344,045 | 720,298 |
| Other financing sources(uses): | | | | | |
| Transfers in | 0 | 0 | 658,895 | 0 | 658,895 |
| Transfers out | 0 | (484,493) | 0 | (174,402) | (658,895) |
| Sale of equipment | 7,107 | 0 | 0 | 0 | 7,107 |
| Total other financing sources(uses) | 7,107 | (484,493) | 658,895 | (174,402) | 7,107 |
| Net change in fund balances | 76,508 | 538,695 | (57,441) | 169,643 | 727,405 |
| Fund balance beginning of year | 1,488,866 | 559,753 | 76,139 | 607,382 | 2,732,140 |
| Fund balance end of year | $ 1,565,374 | 1,098,448 | 18,698 | 777,025 | 3,459,545 |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

CRESTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds (page 17)** | | $ 727,405 |
| ***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 are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlays expenditures in the current year are as follows: | | |
| Capital outlays | $ 367,097 | |
| Depreciation expense | (665,488) | (298,391) |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. | | 690,000 |
| 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. | | (9,850) |
| Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. | | 2,436 |
| 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 fund. | | |
| Early retirement | $ (17,272) | |
| Other postemployment benefits | (88,071) | (105,343) |
| **Changes in net assets of governmental activities (page 14)** | | $ 1,006,257 |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

| | School Nutrition |
|---|---|
| Assets | |
| Cash and cash equivalents | $ 175,930 |
| Inventories | 24,662 |
| Capital assets, net of accumulated depreciation | 238,988 |
| Total Assets | 439,580 |
| Liabilities | |
| Salaries and benefits payable | 44,212 |
| Unearned revenues | 6,888 |
| Net OPEB liability | 929 |
| Total Liabilities | 52,029 |
| Net Assets | |
| Invested in capital assets | 238,988 |
| Unrestricted | 148,563 |
| Total Net Assets | $ 387,551 |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

| | School Nutrition |
|---|---|
| OPERATING REVENUE: | |
| Local sources: | |
| Charges for service | $ 300,248 |
| Miscellaneous | 762 |
| TOTAL OPERATING REVENUES | 301,010 |
| OPERATING EXPENSES: | |
| Support services: | |
| Administration: | |
| Salaries | 66,083 |
| Benefits | 16,741 |
| Services | 1,458 |
| | 84,282 |
| Operation and maintenance of plant: | |
| Services | 11,195 |
| Total support services | 95,477 |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 207,210 |
| Benefits | 54,768 |
| Services | 5,144 |
| Supplies | 309,976 |
| Other | 335 |
| Depreciation | 17,372 |
| | 594,805 |
| TOTAL OPERATING EXPENSES | 690,282 |
| OPERATING LOSS | (389,272) |
| NON-OPERATING REVENUES(EXPENSES): | |
| Loss on disposal of assets | (1,270) |
| Interest | 20,271 |
| State sources | 7,706 |
| Federal sources | 380,129 |
| TOTAL NON-OPERATING REVENUES(EXPENSES) | 406,836 |
| Change in net assets | 17,564 |
| Net assets at beginning of year | 369,987 |
| Net assets end of year | $ 387,551 |

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

| | School Nutrition |
|---|---|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | $ 299,425 |
| Cash received from miscellaneous operating activities | 762 |
| Cash payments to employees for services | (340,696) |
| Cash payments to suppliers for goods or services | (309,589) |
| Net cash used in operating activities | (350,098) |
| Cash flows from non-capital financing activities: | |
| State grants received | 7,706 |
| Federal grants received | 348,988 |
| Net cash provided by non-capital financing activities | 356,694 |
| Cash flows from investing activities: | |
| Interest on investments | 20,271 |
| Cash flows from capital financing activities: | |
| Purchase of assets | (20,159) |
| Net increase in cash and cash equivalents | 6,708 |
| Cash and cash equivalents at beginning of year | 169,222 |
| Cash and cash equivalents at end of year | $ 175,930 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | $ (389,272) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities consumed | 31,141 |
| Depreciation | 17,372 |
| Increase in inventories | (12,573) |
| Decrease in accounts payable | (49) |
| Increase in salaries and benefits payable | 3,177 |
| Decrease in unearned revenue | (823) |
| Increase in other postemployment benefits | 929 |
| Net cash used in operating activities | $ (350,098) |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at $31,141.

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit J

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2009

| | Agency |
|---|---|
| Assets | |
| Cash and pooled investments | $ 10,391 |
| Liabilities | |
| Due to other groups | $ 10,391 |

SEE NOTES TO FINANCIAL STATEMENTS.

## (1) Summary of Significant Accounting Policies

The Creston 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 Creston, Iowa, and the predominately agricultural territory in Adams, Ringgold and Union 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, Creston 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 Creston 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 Adams, Ringgold and Union 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 Capital Projects Fund is utilized to account for local option sales and service tax revenues and capital improvement expenditures.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the 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 funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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 | $ | 2,500 |
| Buildings | | 2,500 |
| Land improvements | | 2,500 |
| Machinery and equipment: | | |
| School Nutrition Fund equipment | | 500 |
| Other machinery and equipment | | 2,500 |

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

| Asset Class | Estimated Useful Lives (In Years) |
|---|---|
| Buildings | 50 years |
| Land improvements | 20 years |
| Machinery and equipment | 5-12 years |

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 Balances - 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, 2009 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.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

| | Amortized Cost |
|---|---|
| Diversified Portfolio | $ 3,782,597 |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

## (3) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

| Transfer to | Transfer from | Amount |
|---|---|---|
| Debt Service | Capital Projects | $ 484,493 |
| Debt Service | Special Revenue-Physical Plant and Equipment Levy | 174,402 |
| Total | | $ 658,895 |

Capital Projects Fund transferred funds to the Debt Service Fund to pay principal and interest on the general obligation bond indebtedness.

The Physical Plant and Equipment Levy Fund transferred funds to the Debt Service Fund to pay principal and interest on the capital loan note indebtedness.

## (4) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 155,965 | 0 | 0 | 155,965 |
| Construction in progress | 246,699 | 208,885 | 455,584 | 0 |
| Total capital assets not being depreciated | 402,664 | 208,885 | 455,584 | 155,965 |
| Capital assets being depreciated: | | | | |
| Buildings | 25,679,214 | 301,200 | 0 | 25,980,414 |
| Land improvements | 1,292,312 | 154,384 | 0 | 1,446,696 |
| Machinery and equipment | 1,743,858 | 158,212 | 8,700 | 1,893,370 |
| Total capital assets being depreciated | 28,715,384 | 613,796 | 8,700 | 29,320,480 |
| Less accumulated depreciation for: | | | | |
| Buildings | 5,660,802 | 508,288 | 0 | 6,169,090 |
| Land improvements | 696,927 | 50,931 | 0 | 747,858 |
| Machinery and equipment | 1,484,980 | 106,269 | 8,700 | 1,582,549 |
| Total accumulated depreciation | 7,842,709 | 665,488 | 8,700 | 8,499,497 |
| Total capital assets being depreciated, net | 20,872,675 | (51,692) | 0 | 20,820,983 |
| Governmental activities capital assets, net | $ 21,275,339 | 157,193 | 455,584 | 20,976,948 |

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---|---|---|---|
| Business type activities: | | | | |
| Machinery and equipment | $ 536,473 | 20,159 | 1,905 | 554,727 |
| Less accumulated depreciation | 299,002 | 17,372 | 635 | 315,739 |
| Business type activities capital assets, net | $ 237,471 | 2,787 | 1,270 | 238,988 |

Depreciation expense was charged by the District as follows:

| | |
|---|---|
| Governmental activities: | |
| Instruction: | |
| Regular | $ 8,526 |
| Other | 14,446 |
| Support services: | |
| Instructional staff | 6,665 |
| Administration | 5,278 |
| Operation and maintenance of plant | 777 |
| Transportation | 65,183 |
| | 100,875 |
| Unallocated depreciation | 564,613 |
| Total governmental activities depreciation expense | $ 665,488 |
| Business type activities: | |
| Food services | $ 17,372 |

## (5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| General obligation | $ 11,150,000 | 0 | 550,000 | 10,600,000 | 580,000 |
| Capital loan notes | 1,095,000 | 0 | 140,000 | 955,000 | 145,000 |
| Early retirement | 92,728 | 100,000 | 82,728 | 110,000 | 60,000 |
| Net OPEB liability | 0 | 88,071 | 0 | 88,071 | 0 |
| Total | $ 12,337,728 | 188,071 | 772,728 | 11,753,071 | 785,000 |
| Business Type Activities: | | | | | |
| Net OPEB liability | $ 0 | 929 | 0 | 929 | 0 |

General Obligation

Details of the District's June 30, 2009 General Obligation bonds indebtedness is as follows:

| Year Ending June 30, | Bond Issue of May 1, 2003 | | | Bond Issue of May 1,2003 | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest | Principal | Interest | Total |
| 2010 | 5.25 % | $ 500,000 | 430,090 | 5.20 % | $ 80,000 | 78,410 | $ 580,000 | 508,500 | 1,088,500 |
| 2011 | 5.25 | 530,000 | 403,840 | 5.20 | 80,000 | 74,250 | 610,000 | 478,090 | 1,088,090 |
| 2012 | 5.25 | 555,000 | 376,015 | 5.20 | 85,000 | 70,090 | 640,000 | 446,105 | 1,086,105 |
| 2013 | 4.40 | 580,000 | 346,877 | 3.75 | 90,000 | 65,670 | 670,000 | 412,547 | 1,082,547 |
| 2014 | 4.50 | 610,000 | 321,357 | 3.75 | 95,000 | 62,295 | 705,000 | 383,652 | 1,088,652 |
| 2015-2019 | 4.60-4.875 | 3,500,000 | 1,154,915 | 3.90-4.30 | 530,000 | 250,680 | 4,030,000 | 1,405,595 | 5,435,595 |
| 2020-2023 | 4.90-5.00 | 2,540,000 | 257,445 | 4.40 | 825,000 | 112,640 | 3,365,000 | 370,085 | 3,735,085 |
| Total | | $ 8,815,000 | 3,290,539 | | $ 1,785,000 | 714,035 | $ 10,600,000 | 4,004,574 | 14,604,574 |

Capital Loan Notes

On March 1, 2004, the District issued capital loan notes of $1,500,000. These notes will be paid from the Physical Plant and Equipment Levy(PPEL) Fund until the year 2015. Details of the District's June 30, 2009 Capital Loan Notes indebtedness is as follows:

| Year Ending June 30, | Note Issue of March 1, 2004 | | | |
|---|---|---|---|---|
| | Interest Rates | Principal | Interest | Total |
| 2010 | 2.75 % | $ 145,000 | 30,643 | 175,643 |
| 2011 | 2.95 | 150,000 | 26,655 | 176,655 |
| 2012 | 3.20 | 155,000 | 22,230 | 177,230 |
| 2013 | 3.30 | 160,000 | 17,270 | 177,270 |
| 2014 | 3.45 | 170,000 | 11,990 | 181,990 |
| 2015 | 3.50 | 175,000 | 6,125 | 181,125 |
| | Total | $ 955,000 | 114,913 | 1,069,913 |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed thirteen years of service to the District and meet the rule of "88". Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives for each eligible employee is equal to a percentage of the employee's basic yearly salary and one days pay of that salary for each two days of unused accumulated sick leave not to exceed a maximum benefit of $20,000. Early retirement benefits paid during the year ended June 30, 2009, totaled $82,728. A liability has been recorded in the Government-wide financial statements representing the District's commitment to fund non-current early retirement.

**(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 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were $545,517, $441,813 and $464,626 respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 234 active and 12 retired members in the plan. Employees must be age 55 or older at retirement and have thirteen or more years of service to the District.

The District pays a cash benefit based on the retiree's final salary. For employees who are at least age 55 and have at least thirteen years of service to the Creston Community School District or age plus years of service is greater than 88. The maximum benefit to be paid to any one retiree is $20,000. The cash benefit is shown as an explicit subsidy and an OPEB liability.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

Funding Policy - the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | | |
|---|---|---|
| Annual required contribution | $ | 139,000 |
| Interest on net OPEB obligation | | 0 |
| Adjustment to annual required contribution | | 0 |
| Annual OPEB cost (expense) | | 139,000 |
| Contributions made | | (50,000) |
| Increase in net OPEB obligation | | 89,000 |
| Net OPEB obligation - beginning of year | | 0 |
| Net OPEB obligation - end of year | $ | 89,000 |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2009.

For fiscal year 2009, the District contributed $50,000 to the medical plan. Plan members receiving benefits contributed $74,000, or 59.7% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

| Fiscal Year Ended | Annual OPEB cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 06/30/09 | $139,000 | 35.97% | $89,000 |

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was $1.047 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $1.047 million. The covered payroll (annual payroll of active employees covered by the plan) was $4.126 million, and the ratio of the UAAL to the covered payroll was 25.4%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The

actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are $598 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) 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: dental, life and long-term disability.

District contributions to ISEBA for the year ended June 30, 2009 were $837,997.

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.

**(9) 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 $508,699 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## (10) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

| Project | | Amount |
|---|---|---|
| Limited english proficiency | $ | 5,942 |
| Talented and gifted | | 74,182 |
| Beginning teacher mentoring | | 1,924 |
| Salary improvement program | | 4,083 |
| Statewide voluntary preschool | | 2,400 |
| Professional development | | 77,440 |
| Total | $ | 165,971 |

# REQUIRED SUPPLEMENTARY INFORMATION

CRESTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

| | Governmental Fund Types Actual | Proprietary Fund Type Actual | Total Actual | Budgeted Amounts Original | Budgeted Amounts Final | Final to Actual Variance |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Local sources | $ 7,183,974 | 321,281 | 7,505,255 | 7,978,441 | 7,978,441 | (473,186) |
| Intermediate sources | 0 | 0 | 0 | 665,000 | 665,000 | (665,000) |
| State sources | 8,038,068 | 7,706 | 8,045,774 | 8,054,177 | 8,054,177 | (8,403) |
| Federal sources | 962,992 | 380,129 | 1,343,121 | 1,320,000 | 1,320,000 | 23,121 |
| Total revenues | 16,185,034 | 709,116 | 16,894,150 | 18,017,618 | 18,017,618 | (1,123,468) |
| Expenditures/Expenses: | | | | | | |
| Instruction | 9,437,452 | 0 | 9,437,452 | 9,989,944 | 9,989,944 | 552,492 |
| Support services | 4,116,129 | 95,477 | 4,211,606 | 5,306,155 | 5,306,155 | 1,094,549 |
| Non-instructional programs | 7,183 | 596,075 | 603,258 | 1,209,578 | 1,209,578 | 606,320 |
| Other expenditures | 1,903,972 | 0 | 1,903,972 | 3,478,524 | 3,478,524 | 1,574,552 |
| Total expenditures/expenses | 15,464,736 | 691,552 | 16,156,288 | 19,984,201 | 19,984,201 | 3,827,913 |
| Excess(deficiency) of revenues over(under) expenditures/expenses | 720,298 | 17,564 | 737,862 | (1,966,583) | (1,966,583) | 2,704,445 |
| Other financing sources, net | 7,107 | 0 | 7,107 | 5,000 | 5,000 | 2,107 |
| Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses | 727,405 | 17,564 | 744,969 | (1,961,583) | (1,961,583) | 2,706,552 |
| Balance beginning of year | 2,732,140 | 369,987 | 3,102,127 | 4,041,387 | 4,041,387 | (939,260) |
| Balance end of year | $ 3,459,545 | 387,551 | 3,847,096 | 2,079,804 | 2,079,804 | 1,767,292 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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.

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| July 1, 2008 | $ - | $1,047 | $1,047 | 0.0% | $4,126 | 25.4% |

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

# OTHER SUPPLEMENTARY INFORMATION

Schedule 1

CRESTON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009

| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Total |
|---|---|---|---|---|
| Assets | | | | |
| Cash and pooled investments | $ 180,241 | 129,158 | 357,089 | 666,488 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year delinquent | 3,241 | 0 | 3,725 | 6,966 |
| Succeeding year | 175,000 | 0 | 196,853 | 371,853 |
| Income surtax | 0 | 0 | 108,355 | 108,355 |
| Interfund | 0 | 0 | 103,571 | 103,571 |
| Total Assets | $ 358,482 | 129,158 | 769,593 | 1,257,233 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Deferred revenue: | | | | |
| Succeeding year property tax | $ 175,000 | 0 | 196,853 | 371,853 |
| Income surtax | 0 | 0 | 108,355 | 108,355 |
| Total liabilities | 175,000 | 0 | 305,208 | 480,208 |
| Unreserved fund balances | 183,482 | 129,158 | 464,385 | 777,025 |
| Total Liabilities and Fund Balances | $ 358,482 | 129,158 | 769,593 | 1,257,233 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

CRESTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009

| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Total |
|---|---|---|---|---|
| REVENUES: | | | | |
| Local sources: | | | | |
| Local tax | $ 160,668 | 0 | 309,999 | 470,667 |
| Other | 1,507 | 386,366 | 60,087 | 447,960 |
| State sources | 120 | 0 | 137 | 257 |
| Federal sources | 0 | 0 | 333 | 333 |
| TOTAL REVENUES | 162,295 | 386,366 | 370,556 | 919,217 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 70,364 | 0 | 1,828 | 72,192 |
| Other | 0 | 339,809 | 0 | 339,809 |
| Support services: | | | | |
| Instructional staff | 0 | 0 | 1,399 | 1,399 |
| Administration | 0 | 0 | 2,300 | 2,300 |
| Operation and maintenance of plant | 87,209 | 0 | 0 | 87,209 |
| Non-instructional: | | | | |
| Food service operations | 7,183 | 0 | 0 | 7,183 |
| Other expenditures: | | | | |
| Facilities acquisitions | 0 | 0 | 65,080 | 65,080 |
| TOTAL EXPENDITURES | 164,756 | 339,809 | 70,607 | 575,172 |
| Excess(Deficiency) of revenues over(under) expenditures | (2,461) | 46,557 | 299,949 | 344,045 |
| Other financing uses: | | | | |
| Transfer out | 0 | 0 | (174,402) | (174,402) |
| Change in fund balances | (2,461) | 46,557 | 125,547 | 169,643 |
| Fund balance beginning of year | 185,943 | 82,601 | 338,838 | 607,382 |
| Fund balance end of year | $ 183,482 | 129,158 | 464,385 | 777,025 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

| Account | Balance Beginning of Year | Revenues | Expendi-tures | Intrafund Transfers | Balance End of Year |
|---|---|---|---|---|---|
| Unreserved fund balance | $ 0 | 768 | 0 | (768) | 0 |
| HS general athletics | 10,063 | 31,524 | 29,758 | 8,284 | 20,113 |
| Athletic director | 0 | 1,945 | 874 | (1,071) | 0 |
| Athletic tournaments | 0 | 1,945 | 5,343 | 3,398 | 0 |
| MS general athletics | (7,484) | 1,540 | 386 | 4,988 | (1,342) |
| Bowling | (223) | 3,978 | 3,700 | 0 | 55 |
| Boys basketball | 8,385 | 5,647 | 14,035 | 1,242 | 1,239 |
| MS boys basketball | 0 | 860 | 1,256 | (2,974) | (3,370) |
| Football | (2,992) | 14,244 | 10,712 | 355 | 895 |
| MS football | 0 | 5,887 | 6,139 | 1,374 | 1,122 |
| HS boys soccer | (3,476) | 699 | 1,290 | 4,301 | 234 |
| Baseball | (11,011) | 5,939 | 9,510 | 11,505 | (3,077) |
| Boys track | (4,331) | 7,107 | 4,922 | 2,206 | 60 |
| MS boys track | 0 | 276 | 1,084 | 239 | (569) |
| Boys cross country | (1,132) | 1,905 | 1,898 | 1,153 | 28 |
| Boys tennis | (624) | 2,972 | 1,270 | (1,070) | 8 |
| Boys golf | 0 | 2,990 | 779 | (2,144) | 67 |
| Wrestling | 121 | 9,307 | 5,565 | (3,793) | 70 |
| MS wrestling | 0 | 1,544 | 1,134 | 274 | 684 |
| Girls basketball | 4,819 | 5,686 | 11,842 | 2,650 | 1,313 |
| MS girls basketball | 0 | 660 | 266 | (2,595) | (2,201) |
| Volleyball | 687 | 6,836 | 4,430 | (2,297) | 796 |
| MS volleyball | 0 | 1,153 | 1,137 | (13) | 3 |
| HS girls soccer | 0 | 2,456 | 2,317 | (59) | 80 |
| Softball | (4,450) | 6,676 | 5,213 | 2,967 | (20) |
| Girls track | (71) | 3,110 | 2,570 | 0 | 469 |
| MS girls track | 0 | 550 | 548 | 0 | 2 |
| Girls tennis | 0 | 254 | 254 | 0 | 0 |
| Girls golf | (2,945) | 1,580 | 773 | 2,144 | 6 |
| Annual | 11,527 | 11,659 | 12,019 | 0 | 11,167 |
| Cheerleaders | (598) | 5,549 | 4,947 | 0 | 4 |
| Class of 2007 | 1,365 | 0 | 0 | (1,365) | 0 |
| Class of 2008 | 2,916 | 0 | 0 | (2,916) | 0 |
| Class of 2009 | 4,095 | 312 | 3,463 | (944) | 0 |
| Class of 2010 | 104 | 9,747 | 4,602 | 0 | 5,249 |
| Class of 2011 | 880 | 158 | 37 | 0 | 1,001 |
| Class of 2012 | 0 | 465 | 1,365 | 1,365 | 465 |
| Class of 2013 | 0 | 450 | 2,916 | 2,916 | 450 |
| Alumni | 2,389 | 0 | 0 | (5,339) | (2,950) |
| FFA | 21,320 | 41,537 | 33,845 | 0 | 29,012 |
| FCCLA | 2,352 | 0 | 0 | 0 | 2,352 |
| Interest | 3,069 | 67 | 0 | 0 | 3,136 |
| Marching panthers | 0 | 35,004 | 18,443 | 27 | 16,588 |
| Panther guard | (1,700) | 1,636 | 2,210 | 1,000 | (1,274) |
| National honor society | 7 | 265 | 266 | 0 | 6 |
| Panther boys basketball | 0 | 849 | 1,680 | 3,216 | 2,385 |
| Panther girls basketball | 0 | 5,106 | 5,437 | 4,245 | 3,914 |
| Panther boys golf | 0 | 656 | 655 | 5 | 6 |
| Panther boys cross country | 0 | 1,160 | 938 | (203) | 19 |
| Panther boys tennis | 0 | 1,680 | 452 | 116 | 1,344 |
| Panther boys track | 0 | 1,168 | 209 | (935) | 24 |
| Panther football | 0 | 24,583 | 23,838 | (1,019) | (274) |
| Panther girls track | 0 | 0 | 0 | 2 | 2 |
| Panther girls tennis | 0 | 0 | 323 | 954 | 631 |

Schedule 3

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

| Account | Balance Beginning of Year | Revenues | Expendi-tures | Intrafund Transfers | Balance End of Year |
|---|---|---|---|---|---|
| Panther singers | 7,790 | 7,295 | 8,204 | 0 | 6,881 |
| Panther softball | 0 | 2,956 | 1,163 | (1,692) | 101 |
| Panther volleyball | 0 | 1,293 | 1,396 | 2,310 | 2,207 |
| Panther weight club | 250 | 0 | 0 | 0 | 250 |
| Panther wrestlers | 0 | 0 | 552 | 3,519 | 2,967 |
| Student activity | 14,505 | 5,517 | 2,222 | (15,460) | 2,340 |
| Student government | 980 | 5,566 | 5,191 | 0 | 1,355 |
| Panther baseball | 0 | 263 | 1,174 | (6,293) | (7,204) |
| MS student government | 0 | 6,155 | 4,092 | 0 | 2,063 |
| HS weight room | 3,152 | 5,720 | 6,128 | 0 | 2,744 |
| MS marching panthers | 968 | 11,818 | 9,024 | 973 | 4,735 |
| Library | 36 | 0 | 0 | 0 | 36 |
| Entrepreneur | 876 | 0 | 0 | 0 | 876 |
| Panther desktop publishing | 617 | 11,109 | 10,759 | 0 | 967 |
| Alternative school | 1,265 | 0 | 0 | 0 | 1,265 |
| Special olympics | 1,220 | 1,087 | 500 | 0 | 1,807 |
| JDC | 39 | 157 | 66 | 0 | 130 |
| Panther boys soccer | 0 | 110 | 146 | (692) | (728) |
| Panther girls soccer | 0 | 5,131 | 4,784 | (1,550) | (1,203) |
| Thespians | 4,725 | 1,609 | 1,672 | (1,618) | 3,044 |
| IJAG | 353 | 257 | 350 | 0 | 260 |
| Teachers lounge | 1,495 | 0 | 1 | 0 | 1,494 |
| Diversity club | 274 | 53 | 0 | 0 | 327 |
| Hawkeye 10 conference | 4,829 | 8,542 | 7,713 | 0 | 5,658 |
| Frosh-Soph festival | 29 | 28 | 57 | 0 | 0 |
| Elementary library | 17 | 0 | 0 | 0 | 17 |
| Panther peppers | 4,427 | 10,271 | 10,682 | 0 | 4,016 |
| Big sister/little sister | 1,510 | 0 | 0 | 0 | 1,510 |
| Spanish club | 1 | 0 | 0 | 0 | 1 |
| MS singers | 1,116 | 1,911 | 1,707 | 0 | 1,320 |
| Clearing account | 0 | 27,429 | 16,511 | (10,918) | 0 |
| Speech | (955) | 0 | (955) | 0 | 0 |
| Industrial arts | 20 | 0 | 20 | 0 | 0 |
| Total | $ 82,601 | 386,366 | 339,809 | 0 | 129,158 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2009

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and pooled investments | $ 3,664 | 802,145 | 795,418 | 10,391 |
| **Liabilities** | | | | |
| Due to other groups | $ 3,664 | 802,145 | 795,418 | 10,391 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

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

| | Modified Accrual Basis | | | | | |
|---|---|---|---|---|---|---|
| | Years Ended June 30, | | | | | |
| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Revenues: | | | | | | |
| Local sources: | | | | | | |
| Local tax | $ 5,690,210 | 5,151,891 | 5,205,282 | 4,650,977 | 4,675,468 | 4,586,430 |
| Tuition | 589,692 | 779,123 | 846,712 | 531,819 | 417,718 | 544,102 |
| Other | 904,072 | 990,841 | 1,054,229 | 1,035,187 | 992,047 | 697,535 |
| State sources | 8,038,068 | 7,990,501 | 7,452,259 | 6,916,779 | 6,564,307 | 6,252,892 |
| Federal sources | 962,992 | 651,278 | 811,268 | 1,162,023 | 801,998 | 1,644,172 |
| Total | $ 16,185,034 | 15,563,634 | 15,369,750 | 14,296,785 | 13,451,538 | 13,725,131 |
| Expenditures: | | | | | | |
| Instruction: | | | | | | |
| Regular | $ 6,100,713 | 5,342,920 | 5,483,982 | 4,926,797 | 4,492,302 | 4,566,081 |
| Special | 1,890,125 | 2,059,834 | 2,130,654 | 1,719,109 | 1,689,582 | 2,434,811 |
| Other | 1,446,614 | 1,400,158 | 945,375 | 1,413,132 | 1,479,975 | 1,173,527 |
| Support services: | | | | | | |
| Student | 347,350 | 342,721 | 326,932 | 331,017 | 318,548 | 264,642 |
| Instructional staff | 290,957 | 504,741 | 344,642 | 292,024 | 419,125 | 274,942 |
| Administration | 1,489,523 | 1,555,199 | 1,511,141 | 1,423,425 | 1,214,908 | 940,627 |
| Operation and maintenance of plant | 1,452,699 | 1,179,766 | 1,217,476 | 1,235,867 | 1,178,766 | 710,303 |
| Transportation | 535,600 | 610,722 | 520,583 | 561,262 | 355,322 | 359,042 |
| Central support | 0 | 0 | 0 | 0 | 0 | 105,806 |
| Non-instructional: | | | | | | |
| Food service operations | 7,183 | 7,182 | 0 | 2,868 | 0 | 0 |
| Other expenditures: | | | | | | |
| Facilities acquisitions | 135,130 | 653,336 | 621,617 | 1,376,643 | 2,746,755 | 10,856,929 |
| Long Term Debt: | | | | | | |
| Principal | 690,000 | 660,000 | 635,000 | 610,000 | 460,000 | 445,000 |
| Interest and fiscal charges | 570,143 | 601,483 | 625,658 | 647,865 | 673,912 | 644,876 |
| AEA flow-through | 508,699 | 493,874 | 465,028 | 431,257 | 421,173 | 421,480 |
| Total | $ 15,464,736 | 15,411,936 | 14,828,088 | 14,971,266 | 15,450,368 | 23,198,066 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# CRESTON COMMUNITY SCHOOL DISTRICT
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## YEAR ENDED JUNE 30, 2009

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | PROGRAM EXPENDITURES |
|---|---|---|---|
| INDIRECT: | | | |
| DEPARTMENT OF AGRICULTURE: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| SCHOOL NUTRITION CLUSTER PROGRAMS: | | | |
| SCHOOL BREAKFAST PROGRAM | 10.553 | FY 09 | $ 97,898 |
| NATIONAL SCHOOL LUNCH PROGRAM | 10.555 | FY 09 | 282,231 |
| | | | 380,129 |
| DEPARTMENT OF TRANSPORTATION: | | | |
| IOWA DEPARTMENT OF TRANSPORTATION: | | | |
| HIGHWAY PLANNING AND CONSTRUCTION | 20.205 | FY 09 | 138,833 |
| DEPARTMENT OF EDUCATION: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | 1503-G | 264,529 |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | 1503-GC | 8,417 |
| | | | 272,946 |
| SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS | 84.186 | FY 09 | 6,691 |
| ENHANCING EDUCATION THROUGH TECHNOLOGY | 84.318 | FY 09 | 1,000 |
| READING FIRST STATE GRANTS | 84.357 | FY 08 | 6,744 |
| READING FIRST STATE GRANTS | 84.357 | FY 09 | 135,300 |
| | | | 142,044 |
| ENGLISH LANGUAGE ACQUISITION GRANTS | 84.365 | FY 09 | 150 |
| TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM | 84.367 | FY 09 | 86,216 |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA) | 84.369 | FY 09 | 9,003 |
| ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT | 84.394 | FY 09 | 119,123 |
| AREA EDUCATION AGENCY: | | | |
| SPECIAL EDUCATION CLUSTER PROGRAMS: | | | |
| SPECIAL EDUCATION - GRANTS TO STATES(EVERY MOVE COUNTS) | 84.027 | FY 09 | 1,500 |
| SPECIAL EDUCATION - GRANTS TO STATES(PART B) | 84.027 | FY 09 | 78,455 |
| | | | 79,955 |
| VOCATIONAL EDUCATION - BASIC GRANTS TO STATES | 84.048 | FY 09 | 16,504 |
| DEPARTMENT OF HOMELAND SECURITY: | | | |
| PUBLIC ASSISTANCE GRANTS(FEMA DISASTER ASSISTANCE) | 97.036 | FY 09 | 7,844 |
| NATIONAL ENDOWMENT FOR THE ARTS: | | | |
| IOWA ARTS COUNCIL: | | | |
| PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS GRANT) | 45.025 | FY 09 | 200 |
| TOTAL | | | $ 1,260,638 |

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# NOLTE, CORNMAN & JOHNSON P.C.

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

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
Creston 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 Creston Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2010. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Creston Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Creston Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Creston Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Creston Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Creston Community School District's financial statements that is more than inconsequential will not be prevented or detected by Creston Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Creston Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

Creston Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Creston Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Creston Community School District and other parties to whom Creston 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 Creston 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.

NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2010

**NOLTE, CORNMAN & JOHNSON P.C.**
**Certified Public Accountants**
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Creston Community School District

Compliance

We have audited the compliance of Creston Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Creston Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Creston Community School District's management. Our responsibility is to express an opinion on Creston Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Creston Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Creston Community School District's compliance with those requirements.

In our opinion, Creston Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Creston Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Creston Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Creston Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined above. However, as discussed above, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Creston Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Creston Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Creston Community School District and other parties to whom Creston 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.

Nolte, Cornman & Johnson P.C.

NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2010

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

(a) Unqualified opinions were issued on the financial statements.

(b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.

(c) The audit did not disclose any noncompliance which is material to the financial statements.

(d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.

(e) An unqualified opinion was issued on compliance with requirements applicable to each major program.

(f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major program was as follows:

Clustered Programs:

- CFDA Number 10.553 - School Breakfast Program
- CFDA Number 10.555 - National School Lunch Program

Individual Programs:

- CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- CFDA Number 84.357 - Reading First State Grants

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) Creston Community School District did not qualify as a low-risk auditee.

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-09 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - The District is currently keeping track of hours worked for coaches who are non-certified staff.

Conclusion - Response accepted.

II-C-09 Meal Money Procedures - We noted during our audit that when students travel on District sponsored events, the District writes checks to the sponsor of the event. The checks are subsequently cashed and used for meal money while on the District sponsored event. Once the event has concluded, it appeared that any unused funds were being turned into the activities office. Although there were instances of unused funds being returned to the activities office with receipts of meal purchases, we also noted instances of sponsors not turning in supporting documentation that meal money was actually received by the students in the cases where meal receipts were not turned in to the activities office.

Also, during our review of this process, we noted an instance of a check being written to the cheerleading sponsor for $420 for student meal expenses. Upon conclusion of the event, the cheerleading sponsor turned in receipts of meal purchases totaling $391.11. On the cancelled check that was written for $420, the activities secretary wrote "change was returned". However, we were unable to find a receipt or trace a subsequent deposit for the $28.89 of unused funds.

Recommendation - One of the most important responsibilities of the District is to maintain a system of internal control for efficient operation. The District's Board of Directors is responsible for making policies and procedures that safeguard District assets, ensure District financial information is accurate and ensure employees are complying with laws and regulations pertinent to the District. The successful operation of the District's internal controls is dependent upon having sufficient and properly trained management and personnel to ensure that the policies and procedures formed by the Board of Directors are being followed.

In cases where meal receipts are not turned into the activities office upon conclusion of the event, the sponsor should have a sheet where students sign off that they have received meal money from the sponsor. The sponsor should also in all cases have a reconciliation sheet showing what funds were used and unused while on the event. This reconciliation sheet will be helpful to the activities secretary in reconciling receipts to deposits.

Response - The District has changed procedures to be in compliance and to improve internal controls.

Conclusion - Response accepted.

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2009
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.357: Reading First State Grants
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

III-B-09 Safe and Drug Free Communities Grant - We noted during our audit that the fourth quarter of the safe and drug free grant claims were not filed timely by the District. As a result, subsequent funding was not received by the District in a timely manner.

Recommendation - The District should review procedures in place to ensure the timely filing of grant reimbursement claims.

Response - The District will review procedures to ensure timely filing of grant reimbursement claims.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.

IV-B-09 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.

IV-C-09 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.

The District has a policy 8030.60 in effect for the reimbursement of necessary expenses incurred by employees while on District business. The policy states that receipts for all expenses shall be presented to the Superintendent or his designee at the time request for reimbursement is made. However, we noted that the policy does not address consequences to employees that do not turn in detailed documentation of the purchase to District officials. Detailed documentation needs to be required by District officials to determine with certainty that all aspects of purchases made are truly expenses of the District.

Recommendation - The District should review policy 8030.60 and should model a new policy after the sample policy that can be obtained from IASB. The sample policy in part states that if detailed documentation is not submitted by employees that use District issued credit cards, that the expense will become the employees' and not the District's.

Response - The District will review policy 8030.60 and changes will be made to comply.

Conclusion - Response accepted.

IV-D-09 Business Transactions - Business transactions between the District and District officials were noted as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|---|---|
| Chad Briley, Board Member Owns Briley Heating & Air Conditioning Inc. | Purchased services | $455 |
| Brian Strider, Board Member Employed by Barker Implement | Rental | $900 |
| Mike Warren, Custodian Owns Mike's Repair | Repairs | $2,034 |

In accordance with 279.7A of the Code of Iowa, the above transactions with Mr. Briley do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with Mr. Strider do not appear to represent a conflict of interest.

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

IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported on Line 3 as tuitioned out students was overstated by one student.

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

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

Conclusion - Response accepted.

IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

| | | |
|---|---|---|
| Beginning Balance | | $ 0 |
| Statewide sales and services tax revenue | | 1,106,425 |
| Expenditures/Transfers out: | | |
| School infrastructure | | |
| Buildings | $ 90,100 | |
| Debt service for school infrastructure: | | |
| General obligation debt | 484,493 | 574,593 |
| Ending Balance | | $ 531,832 |

Levies reduced as a result of statewide sales and services tax received:

| | Per $1,000 of Taxable Valuation | Property Tax Dollars |
|---|---|---|
| Debt service levy | $ 1.70345 | $ 484,493 |

IV-L-09 Financial Condition - The District had several accounts in the Student Activity Fund that had deficit balances at the end of the year totaling $24,212.

Recommendation - The District should continue to monitor the Student Activity Fund and investigate alternatives to eliminate the deficit accounts. The District should consider additional approval of bills from the Student Activity Fund. A workout plan for the deficit accounts should also be considered for the Student Activity Fund.

Response - The District will continue to monitor these accounts and follow the workout plan to eliminate the deficits.

Conclusion - Response accepted.

IV-M-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will obtain written authorization from each employee who desires to receive a payroll check by mail.

Conclusion - Response accepted.

IV-N-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1).

There is a Panther library, elementary library and teachers lounge account. Revenues and expenditures from these accounts would appear to not meet the criteria of the Student Activity Fund. The funds in these accounts would be more appropriately handled through the General Fund.

There appeared to be two interest accounts in the Student Activity Fund and interest earned was not allocated from either account. Interest earned on investments during the year should be allocated to individual student activity fund accounts on an annual basis.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - The District will review receipts and expenditures from the Student Activity Fund. The procedures followed will be reviewed and the District will follow the suggested recommendations to gain compliance and better internal control.

Conclusion - Response accepted.