

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

To the Board of Education of  
Schaller-Crestland 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 Schaller-Crestland Community School District, Schaller, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Schaller-Crestland 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 reports dated March 24, 2010, on our consideration of Schaller-Crestland Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 14 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Schaller-Crestland 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, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

March 24, 2010

# Schaller-Crestland Community School District

## Management Discussion & Analysis

This section of the Schaller-Crestland Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2009. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### Financial Highlights

- The Schaller-Crestland CSD Board of Directors approved a Property Tax decrease from \$14.15352 to \$14.05012 per \$1,000 taxable valuation, creating a stable tax rate from the previous year.
- The Local Option Sales Tax was beneficial to the district in that it generated about \$228,445, a decrease of \$8,640, for capital improvement projects. (The amount is from Exhibit B.)

### Overview of the Financial Statements

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

The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.

- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

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

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

Figure A-1

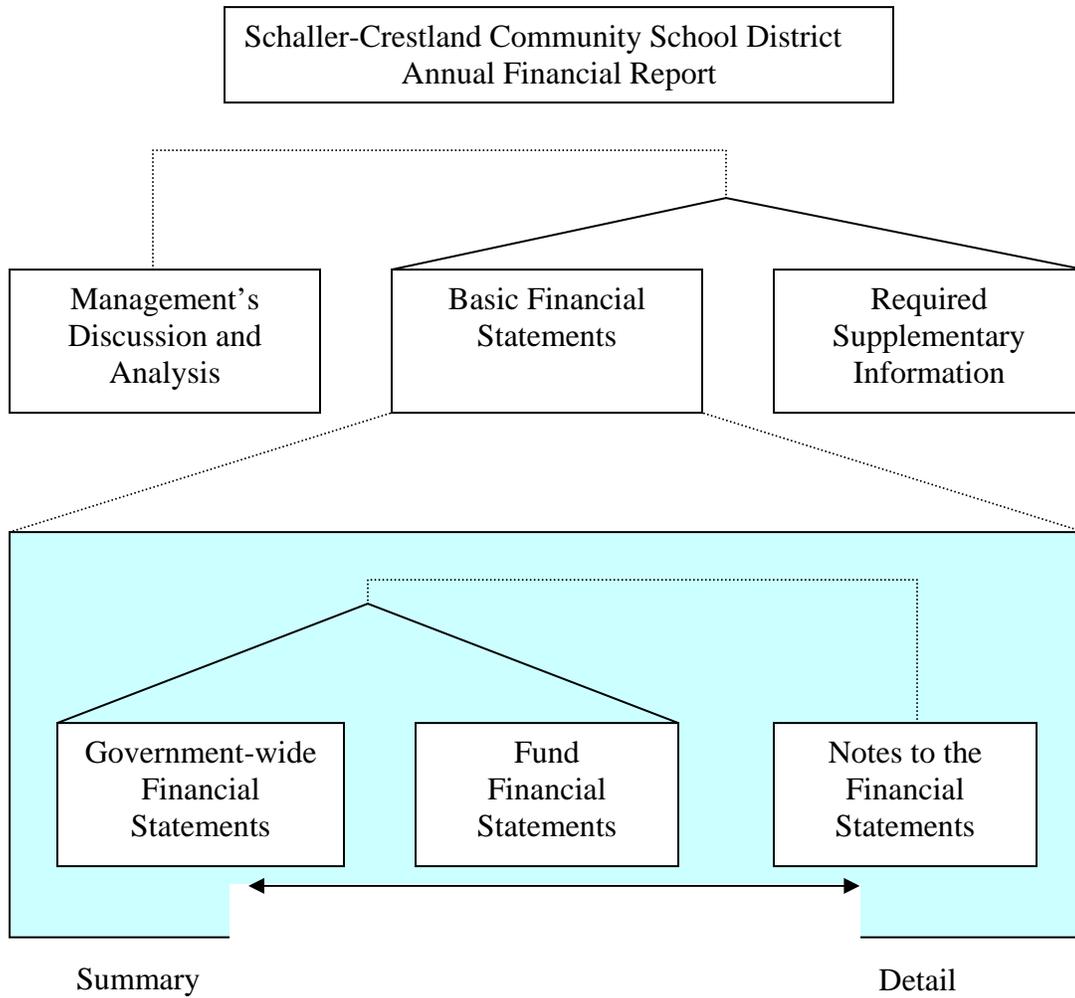


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

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

## **Government-wide Statements**

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

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes 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 food service program would be included in this category. Another Business activity that began during this fiscal period was a Day Care Enterprise.

## **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 two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund and Special Revenue Funds that consist of Activity, Management, and Physical Plant and Equipment Levy funds.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Daycare Fund.

### **Government-wide Financial Analysis**

Figure A-3 below provides a summary of the District's net assets ended June 30, 2009, 2008 and 2007.

#### **Net assets**

The District's total net assets have remained steady over the past two years, increasing by \$1,167 during fiscal year 2008 and decreasing by \$39,295 in 2009.

Figure A-3	Condensed Statement of Net Assets									
	Governmental Activities			Business Type Activities			Total School District			Total % Change 2008-2009
	2007	2008	2009	2007	2008	2009	2007	2008	2009	
Current and other assets	\$3,953,009	\$3,482,995	\$4,222,783	\$7,754	(\$1,141)	\$16,884	\$3,960,763	\$3,481,854	\$4,239,667	22%
Capital assets	2,660,470	2,616,887	2,533,803	31,194	26,237	21,284	2,691,664	2,643,124	\$2,555,087	(3%)
<b>Total Assets</b>	<b>6,613,479</b>	<b>6,099,882</b>	<b>6,756,586</b>	<b>38,948</b>	<b>25,096</b>	<b>38,168</b>	<b>\$6,652,427</b>	<b>\$6,124,978</b>	<b>\$6,794,754</b>	<b>11%</b>
Long-term liabilities	26,913	59,926	61,361	0	0	0	26,913	59,926	61,361	2%
Other liabilities	2,856,319	2,294,404	3,000,680	950	1,236	2,596	2,857,269	2,295,640	\$3,003,276	24%
<b>Total liabilities</b>	<b>2,883,232</b>	<b>2,354,330</b>	<b>3,062,041</b>	<b>950</b>	<b>1,236</b>	<b>2,596</b>	<b>2,884,182</b>	<b>2,355,566</b>	<b>\$3,064,637</b>	<b>30%</b>
Net Assets:										
Invested in capital assets, net of related debt	2,66,0470	2,616,887	2,533,803	31,194	26,237	21,284	2,691,664	2,643,124	2,555,087	(3%)
Restricted	551,552	654,814	881,689	0	0	0	551,552	654,814	881,689	35%
Unrestricted	518,225	473,851	279,053	6,804	(2,377)	14,288	525,029	471,474	293,341	(38%)
<b>TOTAL NET ASSETS</b>	<b>\$3,730,247</b>	<b>\$3,745,552</b>	<b>3,694,545</b>	<b>\$37,998</b>	<b>\$23,860</b>	<b>\$35,572</b>	<b>\$3,768,245</b>	<b>\$3,769,412</b>	<b>\$3,730,117</b>	<b>(1%)</b>

The District issues anticipatory warrants through the Iowa Schools Cash Anticipation Program, to ease cash flow problems that may occur periodically throughout the year. The District's participation was minimal by June 30, 2009 compared to June 30, 2008. This had little effect on increasing the District's current assets and other liabilities.

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 approximately \$226,875 or 35% over the prior year. The increase was primarily a result of sales tax revenues collected, but not spent during the year. These monies will be used for future capital projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints, established by debt covenants, enabling legislation or other legal requirements – decreased by approximately \$178,133 or (39%) from the previous year.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2009.

Changes in Net Assets						
Figure A-4	Governmental Activities		Business-type Activities		Total School District	
	2008	2009	2008	2009	2008	2009
<b>Revenues</b>						
Program Revenues						
Charges for services	\$254,258	205,517	82,319	143,160	\$336,577	\$348,677
Operating Grants & Contributions	581,980	618,492	85,777	96,503	667,757	\$714,995
Capital Grants & Contributions	0	0	0	0	0	0
General Revenues						
Property taxes & other taxes	2,161,707	2,387,427	0	0	2,161,707	\$2,387,427
Unrestricted State Grants	1,499,115	1,330,777	0	0	1,499,115	\$1,330,777
Unrestricted Investment Earnings	50,049	15,059	13	77	50,062	\$15,136
Other Revenue	14,344	3,634	0	0	14,344	\$3,634
<b>Total Revenues</b>	<b>\$4,561,453</b>	<b>\$4,560,906</b>	<b>\$168,109</b>	<b>\$239,740</b>	<b>\$4,729,562</b>	<b>\$4,800,646</b>
<b>Expenses</b>						
Instruction	2,816,919	3,019,135	0	0	2,816,919	\$3,019,135
Support Services	1,258,561	1,234,038	0	0	1,258,561	\$1,234,038
Non-Instructional Programs	0	0	189,247	228,028	189,247	\$228,028
Other Expenses	463,668	358,740	0	0	463,668	\$358,740
<b>Total Expenses</b>	<b>\$4,539,148</b>	<b>\$4,611,913</b>	<b>\$189,247</b>	<b>\$228,028</b>	<b>\$4,728,395</b>	<b>\$4,839,941</b>
Transfers	(7,000)	0	7,000	0	0	0
Change in Net Assets	<b>\$15,305</b>	<b>(\$51,007)</b>	<b>(\$14,138)</b>	<b>\$11,712</b>	<b>\$1,167</b>	<b>(\$39,295)</b>

Total District revenues increased approximately \$71,084 between 2008 and 2009 while total expenses increased in 2009 by approx. \$111,546. This created a deficit of (\$39,295) in total school district net assets. Total property tax revenues increased approximately \$225,720.

*Governmental Activities -*

Referring to *Figure A-4*, revenues for the District's governmental activities were \$4,560,906 for fiscal year 2009. Total governmental expenditures were \$4,611,913.

In a semi-difficult budget year, the District had to trim expenses to match available revenues, however the board of directors was able to maintain the overall district tax rate from \$14.15352 to \$14.05012 per thousand dollars of taxable valuation.

Net Cost of Governmental Activities				
Figure A-5	Total Cost of Services 2008	Total Cost of Services 2009	Net Cost Of Services 2008	Net Cost Of Services 2009
Instruction	\$2,816,919	\$3,019,135	\$2,132,478	\$2,354,918
Support Services	1,258,561	\$1,234,038	1,254,284	1,224,578
Other Expenses	463,668	358,740	316,148	208,408
<b>TOTAL</b>	<b>\$4,539,148</b>	<b>\$4,611,913</b>	<b>\$3,702,910</b>	<b>\$3,787,904</b>

*Figure A-5* presents the cost of the District's major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each

activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

- The cost of all governmental activities this year was \$4,611,913.
- Most of the District's costs (\$3,787,904) were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,387,427 in property and other local taxes, and \$1,330,777 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

#### *Business-Type Activities -*

The District's business-type activities include the School Nutrition and Daycare Funds. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District's business-type activities show a decrease in net assets with expenses exceeding revenues of (\$21,138) in '08 and an increase in 2009 of \$11,712, for a two year total of decreased revenue of \$9,426 (refer to *Figure A-4*). We opened up a Daycare in our facility in 2009 and that made the total revenues during the year increase. The increase in the change of net assets was also due to the increased costs for salaries, employee benefits and food. The Board of Education did increase school meal prices for fiscal year 2008 and 2009. A \$10,000 grant from Iowa State University payable over two fiscal years was received for Promoting Health Literacy Through the School Nutrition Environment. The revenues increased from fiscal year 2008 \$71,084.

### **Financial Analysis of the District's Funds**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$1,053,511.

#### **Governmental Fund Highlights**

The General Fund balance decreased from \$482,754 in '03 to \$404,987 in '04 to \$378,251 in '05, to \$370,264 in 2006, \$422,418 in 2007, \$367,563 in 2008 and in 2009 decreased to \$206,659. This is due in part to a concerted effort in the reduction in staff, even though student enrollment declined, and negotiated salary and benefit settlements increased. The Board chose to use carryover fund balance to maintain obligations and student programming. Expenditures over revenues were held close to the previous year.

The Physical Plant and Equipment Fund began fiscal year 2008 with a balance of \$152,605 and ended the year with a positive fund balance of \$280,823. There were no large projects taken from the PPEL fund.

The Non-major governmental funds include Management, Student Activity, and Capital Projects. The Management fund balance increased \$10,424 during the year. The slight increase was due to the goal of maintaining funds for early retirement.

The capital projects fund balance increased dramatically \$70,889, due to the stronger than normal economic state in Iowa.

#### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$97,704 on June 30, 2003 to \$97,260 on June 30, 2004, on June 30, 2005 \$83,826, \$62,344 on June 30, 2006, on June 30, 2007 \$37,998, on June 30, 2008 \$23,860 and June 30, 2009 \$25,328, representing an increase of 6% from the previous year. The higher cost of food and salaries along with extra hours put in by the head cook to comply with more federal and state regulations and mandates added to our overall costs.

The District started a daycare during fiscal year 2009. The Daycare Fund ended the year with a \$10,244 fund balance.

### **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Over the course of the year, the District amended its annual budget one time to reflect additional revenue and expenditures associated with the new daycare fund.

Ultimately, budgeted revenue amounts exceeded actual revenue by \$234,174 and budgeted expenditures exceeded actual expenditures by \$1,334,892. This was due to a variety of factors. When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping disbursements in line with revenues as actual revenue accumulates. As a result, the District's certified budget would hopefully not exceed the actual expenditures during the coming year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and non-instructional programs functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

On the expense side, the District needs to begin to adjust to multiple factors, the struggle will be to keep total disbursements closer to total receipts. It is apparent that even in such

a difficult fiscal year in which to accurately predict revenues, the District succeeded in meeting its goal in keeping total disbursements \$4,755,422 below total receipts \$4,815,038.

Going into the next year it is hoped that a Whole Grade Sharing Agreement can be reached so as to scale back on costs associated with staffing.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

By the end of 2009, the District had invested \$2,533,908 net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net decrease of \$109,216 or a 4.2% decrease from last year. The District was able to stay within its means and not accumulate any debt in FY09.

The 2008-2009 school year was one of the districts most productive in the way of capital improvements to the district. Through the Physical Plant and Equipment fund and Capital Projects fund better known as the one cent local option sales tax, we were able to make many repairs and improvements. The list includes, but not limited to, painting of classrooms and hallways, major heating repairs to individual heat pump units at the high school, and a multitude of grounds maintenance repair items to numerous to mention because of actual minimal costs. Future projects are being planned to deal with assets that may be deteriorating and need attention such as the athletic complex track surface.

<b>Capital Assets (net of depreciation)</b>										
Figure A-6	<b>Governmental Activities</b>			<b>Business-type Activities</b>			<b>Total School District</b>			<b>Total % Change</b>
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2008-2009</b>
Land	18,889	18,889	18,889	0	0	0	18,889	18,889	18,889	0%
Buildings. & Improvements	2,466,622	2,423,371	2,319,108	0	0	0	2,466,622	2,423,371	2,319,108	4%
Equip. & Furniture	174,959	174,627	195,806	31,194	26,237	21,284	206,153	200,864	217,090	8%
<b>TOTAL</b>	<b>2,660,470</b>	<b>2,616,887</b>	<b>2,533,803</b>	<b>31,194</b>	<b>26,237</b>	<b>21,284</b>	<b>2,691,664</b>	<b>2,643,124</b>	<b>2,555,087</b>	<b>(3%)</b>

#### **Long-Term Debt**

At June 30, 2009 the District's only long-term debt was for its early retirement program.

## **Factors Bearing on the District's Future**

The District needs to show caution even though it still has a positive unspent balance. However the solvency ratio is declining and is the first warning of expenses outpacing revenues. To show reasonable financial health into the near future it will need to address the rising cost of costs associated with staff both certified and non-certified. Budgeting practices such as making sure disbursements do not exceed receipts is our primary focus. In FY '08, the District will have received two years of allowable growth money, however, for FY '09 it looks to be tentative for additional new money with the projected 4% allowable growth promised, but only 2% delivered, due to state financial health. We still experience declining enrollment and therefore it all can't be offset with the 4% allowable growth money. As stated last year in the MD&A, in FY '09, the District will receive its fifth year of added property value as the Wind Farm matures. Increased property value is projected to generate over \$65,000.00 the first year compounded each year for 6 years to about \$400,000. Accessed valuations for the district increased about 11%. There are now 76 wind turbines located in the Sac County portion of the school district and 2 in the Buena Vista portion of the district for a total of 78. They are valued at about 1.5 million dollars each. However, costs outside of the Board's control such as continual increases in health insurance and higher than normal utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability. Funds from PPEL and the SILO tax will help when making large capital improvements to the district.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Dave Kwikkel, Superintendent, Schaller-Crestland Community School District, 300 S. Berwick Street, Schaller, Iowa 51053.

## BASIC FINANCIAL STATEMENTS

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	472,363	-	472,363
Other	1,347,691	4,922	1,352,613
Receivables:			
Property tax:			
Delinquent	36,549	-	36,549
Succeeding year	2,095,203	-	2,095,203
Accounts	5,384	2,763	8,147
Accrued interest:			
ISCAP	58	-	58
Other	170	-	170
Due from other governments	259,282	5,481	264,763
Interfund balances	6,083	(6,083)	-
Inventories	-	9,801	9,801
Capital assets, net of accumulated depreciation	2,533,803	21,284	2,555,087
<b>Total assets</b>	<b>6,756,586</b>	<b>38,168</b>	<b>6,794,754</b>
<b>Liabilities</b>			
Accounts payable	73,260	1,544	74,804
Salaries and benefits payable	308,229	-	308,229
Deferred revenue:			
Succeeding year property tax	2,095,203	-	2,095,203
Other	49,828	1,052	50,880
ISCAP warrants payable	465,000	-	465,000
ISCAP accrued interest payable	159	-	159
ISCAP premium	9,001	-	9,001
Long-term liabilities:			
Portion due within one year:			
Termination benefits	34,448	-	34,448
Portion due after one year:			
Termination benefits	26,913	-	26,913
<b>Total liabilities</b>	<b>3,062,041</b>	<b>2,596</b>	<b>3,064,637</b>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,533,803	21,284	2,555,087
Restricted for:			
Categorical funding	25,951	-	25,951
Management levy	89,997	-	89,997
Physical plant and equipment levy	351,070	-	351,070
Other special revenue purposes	43,920	-	43,920
Sales tax capital projects	370,751	-	370,751
Unrestricted	279,053	14,288	293,341
<b>Total net assets</b>	<u>3,694,545</u>	<u>35,572</u>	<u>3,730,117</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	2,067,714	91,170	363,783	-
Special	392,626	-	21,915	-
Other	558,795	108,651	78,698	-
	<u>3,019,135</u>	<u>199,821</u>	<u>464,396</u>	<u>-</u>
<b>Support services:</b>				
Student	44,471	-	-	-
Instructional staff	149,084	-	-	-
Administration	449,076	-	-	-
Operation and maintenance of plant	317,397	-	-	-
Transportation	274,010	5,696	3,764	-
	<u>1,234,038</u>	<u>5,696</u>	<u>3,764</u>	<u>-</u>
<b>Non-instructional programs</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	84,453	-	-	-
AEA flowthrough	150,332	-	150,332	-
Depreciation (unallocated)*	123,955	-	-	-
	<u>358,740</u>	<u>-</u>	<u>150,332</u>	<u>-</u>
<b>Total governmental activities</b>	<u>4,611,913</u>	<u>205,517</u>	<u>618,492</u>	<u>-</u>
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	180,208	98,032	83,631	-
Daycare	47,820	45,128	12,872	-
<b>Total business-type activities</b>	<u>228,028</u>	<u>143,160</u>	<u>96,503</u>	<u>-</u>
<b>Total</b>	<u>4,839,941</u>	<u>348,677</u>	<u>714,995</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
<b>Total general revenues</b>				
<b>Change in net assets</b>				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,612,761)	-	(1,612,761)
(370,711)	-	(370,711)
<u>(371,446)</u>	<u>-</u>	<u>(371,446)</u>
<u>(2,354,918)</u>	<u>-</u>	<u>(2,354,918)</u>
(44,471)	-	(44,471)
(149,084)	-	(149,084)
(449,076)	-	(449,076)
(317,397)	-	(317,397)
(264,550)	-	(264,550)
<u>(1,224,578)</u>	<u>-</u>	<u>(1,224,578)</u>
-	-	-
(84,453)	-	(84,453)
-	-	-
<u>(123,955)</u>	<u>-</u>	<u>(123,955)</u>
<u>(208,408)</u>	<u>-</u>	<u>(208,408)</u>
(3,787,904)	-	(3,787,904)
-	1,455	1,455
-	10,180	10,180
<u>-</u>	<u>11,635</u>	<u>11,635</u>
<u>(3,787,904)</u>	11,635	<u>(3,776,269)</u>
1,840,374	-	1,840,374
114,565	-	114,565
204,043	-	204,043
228,445	-	228,445
1,330,777	-	1,330,777
15,059	77	15,136
3,634	-	3,634
<u>3,736,897</u>	<u>77</u>	<u>3,736,974</u>
(51,007)	11,712	(39,295)
<u>3,745,552</u>	<u>23,860</u>	<u>3,769,412</u>
<u>3,694,545</u>	<u>35,572</u>	<u>3,730,117</u>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General Fund	Physical Plant and Equipment Levy Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	472,363	-	-	472,363
Other	542,449	285,543	519,699	1,347,691
Receivables:				
Property tax:				
Delinquent	32,813	2,142	1,594	36,549
Succeeding year	1,891,187	106,515	97,501	2,095,203
Accounts	5,131	-	253	5,384
Accrued interest - ISCAP	58	-	-	58
Accrued interest - other	53	60	57	170
Interfund receivable	13,005	-	-	13,005
Due from other governments	140,197	70,247	48,838	259,282
<b>Total assets</b>	<b>3,097,256</b>	<b>464,507</b>	<b>667,942</b>	<b>4,229,705</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	71,177	-	2,083	73,260
Salaries and benefits payable	305,900	-	2,329	308,229
Interfund payable	-	6,922	-	6,922
ISCAP warrants payable	465,000	-	-	465,000
ISCAP accrued interest payable	159	-	-	159
ISCAP premium	9,001	-	-	9,001
Deferred revenue:				
Succeeding year property tax	1,891,187	106,515	97,501	2,095,203
Income surtax receivable	98,345	70,247	-	168,592
Other	49,828	-	-	49,828
Total liabilities	<b>2,890,597</b>	<b>183,684</b>	<b>101,913</b>	<b>3,176,194</b>
Fund balances:				
Reserved for:				
Categorical funding	25,951	-	-	25,951
Unreserved reported in:				
General fund	180,708	-	-	180,708
Special revenue funds	-	280,823	195,278	476,101
Capital projects funds	-	-	370,751	370,751
Total fund balance	<b>206,659</b>	<b>280,823</b>	<b>566,029</b>	<b>1,053,511</b>
<b>Total liabilities and fund balances</b>	<b>3,097,256</b>	<b>464,507</b>	<b>667,942</b>	<b>4,229,705</b>

See notes to financial statements.

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,053,511
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,533,803
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	168,592
Long-term liabilities, including termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(61,361)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,694,545</u></u>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2009

	General Fund	Physical Plant and Equipment Levy Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,881,617	209,481	313,741	2,404,839
Tuition	58,821	-	-	58,821
Other	31,959	8,298	122,112	162,369
Intermediate sources	15,000	-	-	15,000
State sources	1,787,233	-	-	1,787,233
Federal sources	147,036	-	-	147,036
Total revenues	<u>3,921,666</u>	<u>217,779</u>	<u>435,853</u>	<u>4,575,298</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,971,406	-	94,873	2,066,279
Special	392,626	-	-	392,626
Other	455,621	-	100,665	556,286
	<u>2,819,653</u>	<u>-</u>	<u>195,538</u>	<u>3,015,191</u>
Support services:				
Student	40,501	-	3,970	44,471
Instructional staff	148,834	-	250	149,084
Administration	432,831	8,043	6,950	447,824
Operation and maintenance of plant	269,858	-	37,079	306,937
Transportation	223,581	-	3,834	227,415
	<u>1,115,605</u>	<u>8,043</u>	<u>52,083</u>	<u>1,175,731</u>
Other expenditures:				
Facilities acquisition	-	81,518	104,622	186,140
AEA flowthrough	150,332	-	-	150,332
	<u>150,332</u>	<u>81,518</u>	<u>104,622</u>	<u>336,472</u>
Total expenditures	<u>4,085,590</u>	<u>89,561</u>	<u>352,243</u>	<u>4,527,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(163,924)</u>	<u>128,218</u>	<u>83,610</u>	<u>47,904</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	2,695	-	-	2,695
Sales of materials and equipment	325	-	-	325
Total other financing sources (uses)	<u>3,020</u>	<u>-</u>	<u>-</u>	<u>3,020</u>
Net change in fund balances	(160,904)	128,218	83,610	50,924
Fund balances beginning of year	<u>367,563</u>	<u>152,605</u>	<u>482,419</u>	<u>1,002,587</u>
Fund balances end of year	<u><u>206,659</u></u>	<u><u>280,823</u></u>	<u><u>566,029</u></u>	<u><u>1,053,511</u></u>

See notes to financial statements.

SCHALLER-CRESTLAND 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

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		50,924

***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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	101,687	
Depreciation expense	<u>(184,771)</u>	(83,084)

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. (17,412)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits		<u>(1,435)</u>
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<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>(51,007)</u></u>
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## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	4,922
Accounts receivable	2,763
Due from other governments	5,481
Inventories	9,801
Capital assets, net of accumulated depreciation	<u>21,284</u>
<b>Total assets</b>	<u>44,251</u>
<b>Liabilities</b>	
Interfund payable	6,083
Accounts payable	1,544
Deferred revenue	<u>1,052</u>
<b>Total liabilities</b>	<u>8,679</u>
<b>Net assets</b>	
Invested in capital assets	21,284
Unrestricted	<u>14,288</u>
<b>Total net assets</b>	<u><u>35,572</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds
	\$
Operating revenues:	
Local sources:	
Charges for service	143,160
Operating expenses:	
Salaries	101,276
Benefits	14,909
Purchased services	3,819
Supplies	103,071
Depreciation	4,953
Total operating expenses	228,028
Operating gain (loss)	(84,868)
Non-operating revenues:	
State sources	2,618
Federal sources	82,366
Donations	11,519
Interest income	77
Total non-operating revenues	96,580
Change in net assets	11,712
Net assets beginning of year	23,860
Net assets end of year	35,572

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	96,647
Cash received from daycare services	38,399
Cash payments to employees for services	(116,185)
Cash payments to suppliers for goods or services	(96,800)
Net cash used by operating activities	<u>(77,939)</u>
Cash flows from non-capital financing activities:	
Loan from General Fund	(1,094)
Donations	11,519
State grants received	2,618
Federal grants received	69,741
Net cash provided by non-capital financing activities	<u>82,784</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>77</u>
Net increase (decrease) in cash and cash equivalents	4,922
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>4,922</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(84,868)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	12,745
Depreciation	4,953
Decrease (increase) in inventories	(4,199)
Decrease (increase) in accounts receivable	(7,930)
(Decrease) increase in accounts payable	1,544
(Decrease) increase in deferred revenue	(184)
Net cash used by operating activities	<u><u>(77,939)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received \$12,745 of federal commodities.

# SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### 1. Summary of Significant Accounting Policies

Schaller-Crestland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Schaller, Iowa and the predominately agricultural territory in a portion of Sac and Ida 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, Schaller-Crestland 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 Schaller-Crestland Community School District has no component units that 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 does 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 County Assessor's 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 service.

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 attributable to the acquisition, construction, or improvement of those assets.

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

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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 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 revenues 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 expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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

#### 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 judgements, 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 the 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 non-operating 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 non-operating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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.

<u>Asset Class</u>	Amount \$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be

used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or 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 are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the instruction and non-instructional programs functions.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statements No. 3 as amended by No. 40.

**3. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Nonmajor – School Nutrition Fund	6,083
General Fund	Physical Plant and Equipment Levy Fund	6,922

The General Fund has loaned money to the School Nutrition Fund for cash flow.

**4. Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments \$	Accrued Interest Receivable \$	Warrants Payable \$	Accrued Interest Payable \$
2009-10A	6/25/09	6/23/10	<u>472,363</u>	<u>58</u>	<u>465,000</u>	<u>159</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants %	Interest Rates on Investments %
2009-10A	2.500	0.902

## 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	18,889	-	-	18,889
Capital assets being depreciated:				
Buildings	5,134,467	12,822	-	5,147,289
Improvements other than buildings	524,190	6,870	-	531,060
Furniture and equipment	725,725	81,995	45,376	762,344
Total capital assets being deprec.	<u>6,384,382</u>	<u>101,687</u>	<u>45,376</u>	<u>6,440,693</u>
Less accumulated depreciation for:				
Buildings	2,963,957	107,285	-	3,071,242
Improvements other than buildings	271,329	16,670	-	287,999
Furniture and equipment	551,098	60,816	45,376	566,538
Total accumulated depreciation	<u>3,786,384</u>	<u>184,771</u>	<u>45,376</u>	<u>3,925,779</u>
Total capital assets being depreciated, net	<u>2,597,998</u>	<u>(83,084)</u>	-	<u>2,514,914</u>
Governmental activities capital assets, net	<u>2,616,887</u>	<u>(83,084)</u>	-	<u>2,533,803</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	93,842	-	-	93,842
Less accumulated depreciation	<u>67,605</u>	<u>4,953</u>	-	<u>72,558</u>
Business type activities capital assets, net	<u>26,237</u>	<u>(4,953)</u>	-	<u>21,284</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Other instruction	2,509
Support services:	
Administration	1,252
Operation and maintenance of plant services	10,460
Transportation	<u>46,595</u>
Unallocated depreciation	<u>60,816</u>
	<u>123,955</u>
Total depreciation expense – governmental activities	<u>184,771</u>
Business type activities:	
Food services	<u>4,953</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Termination Benefits	59,926	26,913	25,478	61,361	34,448

### Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal years 2007, 2008 and 2009. Eligible employees must have completed at least fifteen years of full-time service to the District and must be at least age 55 on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to the lower of \$25,000 or 2/3 of the employee's base salary. Annual payments will be made over three years.

At June 30, 2009, the District has an obligation to four participants with a total liability of \$61,361. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$25,478.

## 7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$157,262, \$141,525, and \$131,357 respectively, equal to the required contributions for each year.

## 8. Risk Management

Schaller-Crestland Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 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 \$150,332 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. Lease Commitments**

The District has leased copy machines and an auto using operating leases. The following minimum lease payments will be made over the lives of the leases:

<u>Year Ending June 30.</u>	<u>Lease Payments</u>
	\$
2010	20,298
2011	16,108
2012	15,728
2013	15,728
2014	3,381
	<u>71,243</u>

**11. Construction Commitment**

The District has entered into a \$53,020 contract for tuck pointing. Work on the project had not started at June 30, 2009.

**12. Subsequent Events**

The board approved a \$168,800 contract for track resurfacing in August 2009.

REQUIRED SUPPLEMENTARY INFORMATION

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Local sources	2,626,029	154,756	2,780,785	2,803,346	2,803,346	(22,561)
Intermediate sources	15,000	-	15,000	-	-	15,000
State sources	1,787,233	2,618	1,789,851	2,008,866	2,008,866	(219,015)
Federal sources	147,036	82,366	229,402	237,000	237,000	(7,598)
Total revenues	<u>4,575,298</u>	<u>239,740</u>	<u>4,815,038</u>	<u>5,049,212</u>	<u>5,049,212</u>	<u>(234,174)</u>
<b>Expenditures/Expenses:</b>						
Instruction	3,015,191	-	3,015,191	2,934,623	2,934,623	(80,568)
Support services	1,175,731	8,577	1,184,308	2,398,855	2,398,855	1,214,547
Non-instructional programs	-	219,451	219,451	178,698	218,698	(753)
Other expenditures	336,472	-	336,472	538,138	538,138	201,666
Total expenditures/expenses	<u>4,527,394</u>	<u>228,028</u>	<u>4,755,422</u>	<u>6,050,314</u>	<u>6,090,314</u>	<u>1,334,892</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	47,904	11,712	59,616	(1,001,102)	(1,041,102)	1,100,718
Other financing sources net	<u>3,020</u>	<u>-</u>	<u>3,020</u>	<u>-</u>	<u>-</u>	<u>3,020</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	50,924	11,712	62,636	(1,001,102)	(1,041,102)	1,103,738
Balance beginning of year	<u>1,002,587</u>	<u>23,860</u>	<u>1,026,447</u>	<u>1,066,570</u>	<u>1,066,570</u>	<u>(40,123)</u>
Balance end of year	<u><u>1,053,511</u></u>	<u><u>35,572</u></u>	<u><u>1,089,083</u></u>	<u><u>65,468</u></u>	<u><u>25,468</u></u>	<u><u>1,063,615</u></u>

SCHALLER-CRESTLAND 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 Internal Service, 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 a 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. 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District adopted one budget amendment during the year increasing its budget by \$40,000

During the year ended June 30, 2009, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds		Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Sales Tax	
	\$	\$	\$	
Cash and pooled investments	149,764	45,745	324,190	519,699
Receivables:				
Property tax:				
Delinquent	1,594	-	-	1,594
Succeeding year	97,501	-	-	97,501
Accounts	-	253	-	253
Accrued interest	-	5	52	57
Due from other governments	-	-	48,838	48,838
<b>Total assets</b>	<b>248,859</b>	<b>46,003</b>	<b>373,080</b>	<b>667,942</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	2,083	-	2,083
Salaries and benefits payable	-	-	2,329	2,329
Deferred revenue:				
Succeeding year property tax	97,501	-	-	97,501
Total liabilities	97,501	2,083	2,329	101,913
Fund balances:				
Unreserved reported in:				
Special revenue funds	151,358	43,920	-	195,278
Capital projects funds	-	-	370,751	370,751
Total fund balances	151,358	43,920	370,751	566,029
<b>Total liabilities and fund balances</b>	<b>248,859</b>	<b>46,003</b>	<b>373,080</b>	<b>667,942</b>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue Funds		Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Sales Tax	
	\$	\$	\$	
Revenues:				
Local sources:				
Local tax	85,296	-	228,445	313,741
Other	9,342	109,592	3,178	122,112
Total revenues	<u>94,638</u>	<u>109,592</u>	<u>231,623</u>	<u>435,853</u>
Expenditures:				
Current:				
Instruction:				
Regular	46,565	-	48,308	94,873
Other	-	100,665	-	100,665
Support services:				
Student	-	-	3,970	3,970
Instructional staff	250	-	-	250
Administration	320	6,630	-	6,950
Operation and maintenance of plant services	37,079	-	-	37,079
Transportation	-	-	3,834	3,834
Other expenditures:				
Facilities acquisition	-	-	104,622	104,622
Total expenditures	<u>84,214</u>	<u>107,295</u>	<u>160,734</u>	<u>352,243</u>
Excess (deficiency) of revenues over (under) expenditures	10,424	2,297	70,889	83,610
Fund balances beginning of year	<u>140,934</u>	<u>41,623</u>	<u>299,862</u>	<u>482,419</u>
Fund balances end of year	<u>151,358</u>	<u>43,920</u>	<u>370,751</u>	<u>566,029</u>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2009

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	-	4,922	4,922
Accounts receivable	1,515	1,248	2,763
Due from other governments	-	5,481	5,481
Inventories	9,801	-	9,801
Capital assets, net of accumulated depreciation	21,284	-	21,284
<b>Total assets</b>	<b>32,600</b>	<b>11,651</b>	<b>44,251</b>
<b>Liabilities</b>			
Interfund payable	6,083	-	6,083
Accounts payable	137	1,407	1,544
Deferred revenue	1,052	-	1,052
<b>Total liabilities</b>	<b>7,272</b>	<b>1,407</b>	<b>8,679</b>
<b>Net assets</b>			
Invested in capital assets	21,284	-	21,284
Unrestricted	4,044	10,244	14,288
<b>Total net assets</b>	<b>25,328</b>	<b>10,244</b>	<b>35,572</b>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenses and Fund Net Assets  
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	98,032	45,128	143,160
Operating expenses:			
Salaries	71,036	30,240	101,276
Benefits	10,905	4,004	14,909
Purchased services	-	3,819	3,819
Supplies	93,314	9,757	103,071
Depreciation	4,953	-	4,953
Total operating expenses	180,208	47,820	228,028
Operating gain (loss)	(82,176)	(2,692)	(84,868)
Non-operating revenues:			
State sources	2,143	475	2,618
Federal sources	81,488	878	82,366
Donations	-	11,519	11,519
Interest income	13	64	77
Total non-operating revenues	83,644	12,936	96,580
Change in net assets	1,468	10,244	11,712
Net assets beginning of year	23,860	-	23,860
Net assets end of year	25,328	10,244	35,572

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	96,647	-	96,647
Cash received from daycare services	-	38,399	38,399
Cash payments to employees for services	(81,941)	(34,244)	(116,185)
Cash payments to suppliers for goods or services	(84,631)	(12,169)	(96,800)
Net cash used by operating activities	<u>(69,925)</u>	<u>(8,014)</u>	<u>(77,939)</u>
Cash flows from non-capital financing activities:			
Loan from General Fund	(1,094)	-	(1,094)
Donations	-	11,519	11,519
State grants received	2,143	475	2,618
Federal grants received	68,863	878	69,741
Net cash provided by non-capital financing activities	<u>69,912</u>	<u>12,872</u>	<u>82,784</u>
Cash flows from capital and related financing activities	-	-	-
Cash flows from investing activities:			
Interest on investments	13	64	77
Net increase (decrease) in cash and cash equivalents	-	4,922	4,922
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	<u>-</u>	<u>4,922</u>	<u>4,922</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(82,176)	(2,692)	(84,868)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	12,745	-	12,745
Depreciation	4,953	-	4,953
Decrease (increase) in inventories	(4,199)	-	(4,199)
Decrease (increase) in accounts receivable	(1,201)	(6,729)	(7,930)
(Decrease) increase in accounts payable	137	1,407	1,544
(Decrease) increase in deferred revenue	(184)	-	(184)
Net cash used by operating activities	<u>(69,925)</u>	<u>(8,014)</u>	<u>(77,939)</u>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance	Revenues	Expenditures	Intra-Fund	Balance End
	Beginning of				
	\$	\$	\$	\$	\$
Cross country	265	-	137	-	128
SCCS students	1,074	941	295	-	1,720
Activity tickets	127	5,281	3,347	-	2,061
Tournaments	350	692	-	-	1,042
Activity resale	828	7,204	7,179	-	853
Concession stand	1,004	10,877	9,295	-	2,586
Speech	1,457	1,304	2,063	-	698
Band resale	(936)	910	796	-	(822)
Basketball boys	176	2,079	1,744	-	511
Football	175	8,590	11,395	-	(2,630)
Baseball	-	1,477	2,388	-	(911)
Boys track	-	2,383	2,363	-	20
Boys golf	-	356	351	-	5
Wrestling	-	196	495	304	5
Girls basketball	212	1,867	1,822	-	257
Volleyball	-	13,437	11,666	-	1,771
Softball	-	530	58	-	472
Girls track	-	3,217	3,195	-	22
Girls golf	-	381	361	-	20
Class of 2007	304	-	-	(304)	-
Class of 2009	2,283	32	2,180	-	135
Class of 2010	1,968	2,783	3,626	-	1,125
Class of 2011	722	1,619	-	-	2,341
Class of 2012	-	1,304	-	-	1,304
FFA club	11,691	13,560	16,778	-	8,473
Cheerleaders	1,039	20	205	-	854
Student council	215	5,468	4,432	-	1,251
Middle school student council	3,369	2,430	3,385	-	2,414
Peerhelpers	193	107	-	-	300
Teacher soda club school improvement	186	114	155	-	145
Industrial arts club	4	-	-	-	4
Annual	8,325	8,595	6,666	-	10,254
NHS	88	898	668	-	318
Tatu	29	39	56	-	12
Dance squad	2,377	5,103	5,692	-	1,788
K-8 activity	3,792	2,190	1,282	-	4,700
Oliver tractor project	200	3,358	3,220	-	338
Shop resale	106	-	-	-	106
Ed Schramm scholarship	-	250	-	-	250
Total	41,623	109,592	107,295	-	43,920

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,404,839	2,108,773	2,003,439	1,894,671	1,909,613	1,846,569
Tuition	58,821	107,730	115,352	76,040	63,905	116,029
Other	162,369	217,772	218,215	205,049	185,614	158,845
Intermediate sources	15,000	-	-	-	7,243	-
State sources	1,787,233	1,955,362	2,103,656	2,013,357	1,853,769	1,687,932
Federal sources	147,036	139,130	150,331	161,885	172,295	177,364
Total revenues	<u>4,575,298</u>	<u>4,528,767</u>	<u>4,590,993</u>	<u>4,351,002</u>	<u>4,192,439</u>	<u>3,986,739</u>
Expenditures:						
Instruction:						
Regular	2,066,279	1,999,387	1,952,829	1,775,981	1,712,439	1,754,881
Special	392,626	350,382	345,346	346,354	342,119	446,301
Other	556,286	431,628	449,753	424,603	443,700	341,820
Support services:						
Student	44,471	86,669	76,667	92,231	89,577	77,294
Instructional staff	149,084	126,342	104,547	114,593	84,785	36,097
Administration	447,824	446,237	442,108	429,347	404,567	509,014
Operation and maintenance	306,937	326,191	330,410	328,591	343,063	350,241
Transportation	227,415	235,217	240,616	299,100	203,743	145,031
Other expenditures:						
Facilities acquisition	186,140	298,670	295,589	175,334	262,146	194,971
AEA flowthrough	150,332	147,520	147,082	142,346	140,942	144,357
Total expenditures	<u>4,527,394</u>	<u>4,448,243</u>	<u>4,384,947</u>	<u>4,128,480</u>	<u>4,027,081</u>	<u>4,000,007</u>

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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  
Schaller-Crestland 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 Schaller-Crestland 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 24, 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 Schaller-Crestland 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 Schaller-Crestland Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Schaller-Crestland 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 Schaller-Crestland 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 Schaller-Crestland Community School District's financial statements that is more than inconsequential will not be prevented or detected by Schaller-Crestland Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses 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 Schaller-Crestland 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 items 09-I-A, 09-I-B and 09-I-C are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schaller-Crestland 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 II of the accompanying Schedule of Findings and Responses.

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.

Schaller-Crestland Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Schaller-Crestland 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 Schaller-Crestland Community School District and other parties to whom Schaller-Crestland Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

March 24, 2010

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

09-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the Administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board President to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

09-I-C Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

SCHALLER-CRETLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements (continued):

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

09-I-D Fund Raising Activities and Summer Athletic Camps: During the course of a year many fund raising activities and summer athletic camps are held. It is not always clear if the District, the Sports Boosters, or an individual is sponsoring the activity.

Section 291.12 of the Code of Iowa requires that all District Funds be received by the District Treasurer and all District Funds should be included in the District's annual financial statements.

Recommendation: The District should establish policies and procedures pertaining to camps and fundraising activities, including approval and accountability for the event and related financial activity. The sponsorship of all fundraisers, including camps and clinics should be clearly documented on posters, flyers or other marketing materials.

The proceeds from and expenses of any events sponsored by the District should be deposited into and paid from bank accounts owned and controlled by the District.

When events are sponsored by the Booster Club, the related financial activity should be included in the Booster Club's bank account.

If an athletic camp is sponsored by an individual, that individual would be responsible for all receipts and expenses of the activity, including appropriate insurance and payments for the rental of school facilities.

District Response: We agree that we need better control over the above types of activities and will revise our policies and procedures.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amounts budgeted in the instruction and non-instructional programs functions.

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

District Response: We did amend our budget but year-end expenditures were more than anticipated.

Conclusion: Response accepted.

09-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

09-II-C Travel Expenses: 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.

09-II-D Business Transactions: We noted no business transactions between the District and District officials or employees.

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

09-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

09-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

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

09-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

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

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (continued):

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: The District's revenue purpose statement allows the District to use its sales tax revenues for any purposes that are allowable for the Public Education and Recreation property tax levy. The District spent \$26,697 of sales tax proceeds on an after school program based on its determination that this would be allowable under the Public Education and Recreation property tax levy. The Iowa Department of Education issued Chapter 98 of the Administrative Code during the summer of 2009. Chapter 98 states that before and after school programs are not allowable expenditures from the Public Educational and Recreational property tax levy.

Recommendation: The District should consult with its attorney to determine if expenditures for an after school program are allowable from sales tax proceeds.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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	\$	\$	-
Statewide sales and services tax revenue			228,445
Expenditures:			
After school program	26,697		
Adult education programs	13,824		
School infrastructure:			
Land and land improvements	830		
Buildings and building improvements	2,389		
Equipment	116,994		
	<u>116,994</u>		<u>160,734</u>
Ending balance			<u><u>67,711</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (continued):

09-II-L Expenditures for Field Trips: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. We noted that the District is paying for field trips from the Student Activity Fund.

Recommendation: According to the Iowa Department of Education, field trips are not part of the extracurricular program. These expenses and any related fund raising activities should be accounted for in the General Fund.

District Response: We will change our method of accounting for field trips.

Conclusion: Response accepted.

09-II-M Old outstanding checks: We noted that the District's bank reconciliations included approximately \$700 of old outstanding checks. Iowa Code Section 566 specifies that holder's unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then, reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

08-II-N Deficit Balances: The Student Activity Fund has several accounts with deficit balances at June 30, 2009.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

09-II-O Interfund loans: On June 16, 2008 the Iowa Department of Education issued a Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before October 1, after each year-end.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (continued):

We noted that the School Nutrition Fund shares a checking account with the General and other funds. The School Nutrition Fund runs a cash deficit in the pooled bank account. The School Nutrition Fund cash deficit is an interfund loan.

Recommendation: The District should follow the June 16, 2008 Declaratory Order with respect to the interfund loan to the School Nutrition Fund.

District Response: We will investigate a permanent transfer to the School Nutrition Fund so that it will have cash for operations.

Conclusion: Response accepted.