

STANTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

## Contents

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

Stanton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
David Brunning	President	2009
Douglas Maher	Vice President	2008
Jeff Magneson	Board Member	2011*
Paul Vanderholm	Board Member	2011*
Mark Lindgren	Board Member	2008

<b>Board of Education (After September 2008 Election)</b>		
David Brunning	President	2009
Douglas Maher	Vice President	2009*
Jeff Magneson	Board Member	2011
Paul Vanderholm	Board Member	2011
Mark Lindgren	Board Member	2009*

<b>School Officials</b>		
Judd Ashley	Superintendent	2009
Carla Rydberg	District Secretary	2009
Swanson Law Firm	Attorney	2009
Sue Seitz	Attorney	2009

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

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stanton Community School District, Stanton, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stanton Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2009 on our consideration of Stanton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We

**Members American Institute & Iowa Society of Certified Public Accountants**

have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stanton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 22, 2009

---

---

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

---

---

This section of the Stanton Community School District annual financial report presents its discussion and analysis of its 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.

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

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,212,765 in fiscal 2008 to \$2,251,513 in fiscal 2009, while General Fund expenditures also increased from \$2,288,827 in fiscal 2008 to \$2,407,368 in fiscal 2009. This resulted in a decrease in the District's Operating Fund (GAAP) balance from \$467,275 in fiscal 2008 to \$311,420 in fiscal 2009, which was a 33% decrease from the prior year.
- The increase in General Fund revenues is attributable in part to receiving ARRA State Aid of \$16,687 and a \$32,562 increase in Teacher Quality Basic Salary Improvement monies.
- Numbers of students open enrolling into the Stanton Community School District continue to have a positive impact on miscellaneous income, with the October 2007 count showing 69 students in and 7 out compared to the October 2008 count showing 71 students coming into the district and 10 out. A total of 367.5 students were provided instructional programs/services by the district in 2008-09, which was a decrease of 0.9.
- Statewide Sales and Services Tax revenue of \$119,221 that can be used for infrastructure or major equipment purchases has allowed reallocation of some Operating Fund monies for use in other areas.
- Equipment purchases this fiscal year have included: A 2008 Chrysler van; carpet extractor; carpet vacuum; range for the FCS room; table saw and Macbook computer for the ag room; new computer/monitor in the board room; and seven classroom computers.
- Facility improvements have included air conditioning the 7-12 classrooms, carpeting the 7-12 hallways, upgrading Eastern Avenue parking, and additional tiling along the Halland Avenue sidewalk.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

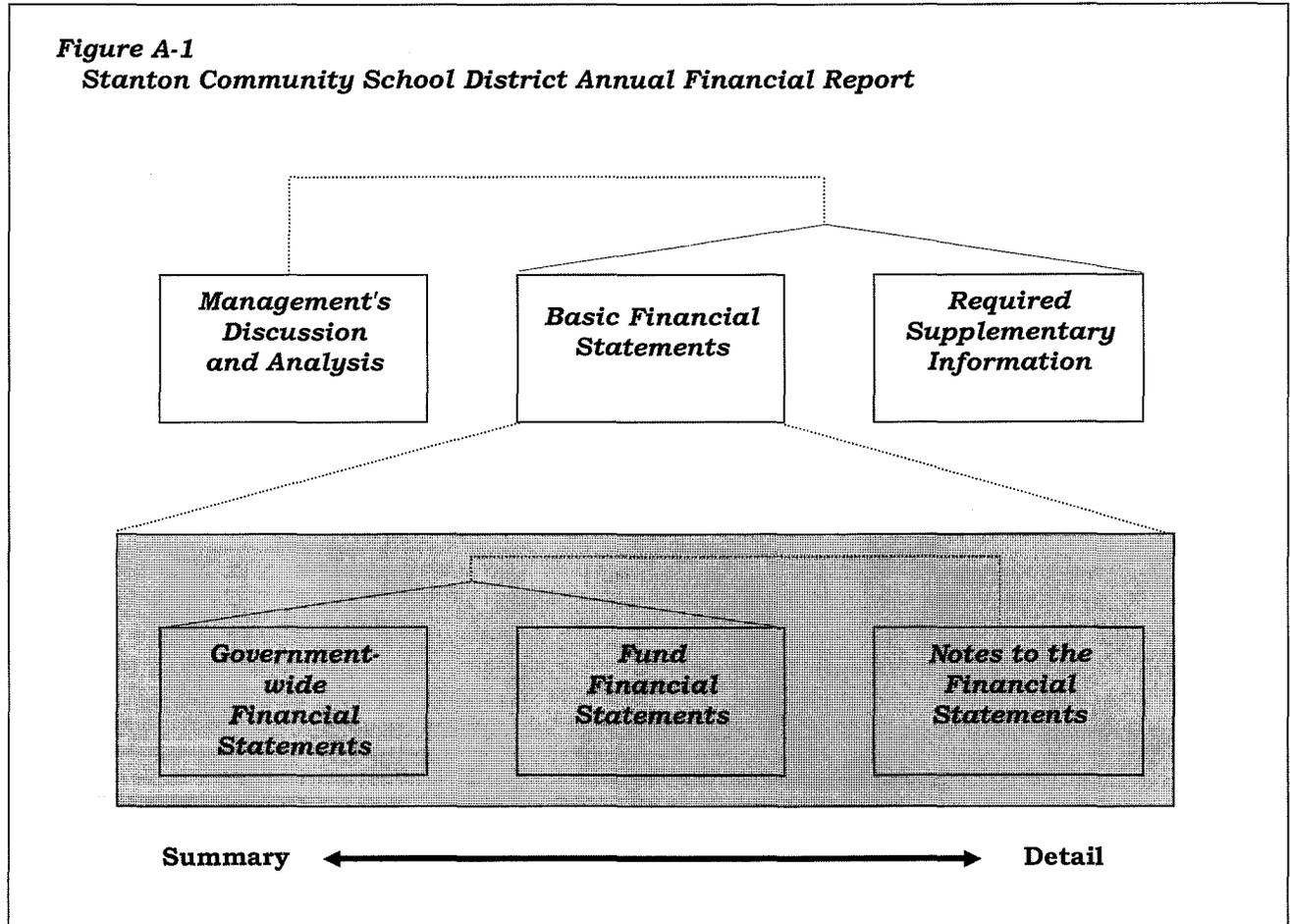


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

---

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2009 compared to June 30, 2008.

	Figure A-3 Condensed Statement of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 2,097,342	1,829,389	22,799	16,742	2,120,141	1,846,131	14.84%
Capital assets	1,225,051	1,180,637	12,160	14,504	1,237,211	1,195,141	3.52%
Total assets	<u>3,322,393</u>	<u>3,010,026</u>	<u>34,959</u>	<u>31,246</u>	<u>3,357,352</u>	<u>3,041,272</u>	<u>10.39%</u>
Other liabilities	1,278,605	891,260	5,272	5,966	1,283,877	897,226	43.09%
Total liabilities	<u>1,278,605</u>	<u>891,260</u>	<u>5,272</u>	<u>5,966</u>	<u>1,283,877</u>	<u>897,226</u>	<u>43.09%</u>
Net assets:							
Invested in capital assets	1,225,051	1,180,637	12,160	14,504	1,237,211	1,195,141	3.52%
Restricted	479,018	432,887	0	0	479,018	432,887	10.66%
Unrestricted	339,719	505,242	17,527	10,776	357,246	516,018	-30.77%
Total net assets	<u>\$ 2,043,788</u>	<u>2,118,766</u>	<u>29,687</u>	<u>25,280</u>	<u>2,073,475</u>	<u>2,144,046</u>	<u>-3.29%</u>

The District’s combined net assets decreased by 3.29% over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, buildings and equipment).

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 10.66% over the prior year.

Unrestricted net assets—the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased 30.77% over the prior year.

Figure A-4 illustrates the impact that results of operations had on changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 570,394	550,537	75,484	66,928	645,878	617,465	4.60%
Operating grants and contributions and restricted interest	333,813	305,960	40,890	35,888	374,703	341,848	9.61%
General revenues:							
Property tax	578,176	625,666	0	0	578,176	625,666	-7.59%
Income surtax	95,680	5,359	0	0	95,680	5,359	1685.41%
Statewide sales and services tax	119,221	126,315	0	0	119,221	126,315	-5.62%
Unrestricted state grants	819,628	898,325	0	0	819,628	898,325	-8.76%
Other	48,719	16,870	18	37	48,737	16,907	188.27%
Total revenues	<u>2,565,631</u>	<u>2,529,032</u>	<u>116,392</u>	<u>102,853</u>	<u>2,682,023</u>	<u>2,631,885</u>	<u>1.91%</u>
Program expenses:							
Governmental activities:							
Instruction	1,759,918	1,635,937	0	0	1,759,918	1,635,937	7.58%
Support services	750,025	752,955	0	0	750,025	752,955	-0.39%
Non-instructional programs	1,500	1,278	111,985	109,446	113,485	110,724	2.49%
Other expenses	129,166	128,763	0	0	129,166	128,763	0.31%
Total expenses	<u>2,640,609</u>	<u>2,518,933</u>	<u>111,985</u>	<u>109,446</u>	<u>2,752,594</u>	<u>2,628,379</u>	<u>4.73%</u>
Changes in net assets	(74,978)	10,099	4,407	(6,593)	(70,571)	3,506	-2112.86%
Net assets beginning of year	<u>2,118,766</u>	<u>2,108,667</u>	<u>25,280</u>	<u>31,873</u>	<u>2,144,046</u>	<u>2,140,540</u>	<u>0.16%</u>
Net assets end of year	<u>\$ 2,043,788</u>	<u>2,118,766</u>	<u>29,687</u>	<u>25,280</u>	<u>2,073,475</u>	<u>2,144,046</u>	<u>-3.29%</u>

Property tax, statewide sales and services tax and unrestricted state grants (state aid and instructional support state aid) account for 60.13% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 91.18% of the total expenses.

### Governmental Activities

Total revenues for all of the Districts' governmental activities were \$2,565,631, an increase of 1.45% over the prior year. Total expenses for all of the Districts' governmental activities were \$2,640,609, an increase of 4.83% from the prior year. In a difficult budget year, the District did a remarkable job trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 1,759,918	1,635,937	7.58%	933,359	855,345	9.12%
Support services	750,025	752,955	-0.39%	750,025	752,595	-0.34%
Non-instructional programs	1,500	1,278	17.37%	1,500	1,278	17.37%
Other expenses	129,166	128,763	0.31%	51,518	53,218	-3.19%
Totals	<u>\$ 2,640,609</u>	<u>2,518,933</u>	<u>4.83%</u>	<u>1,736,402</u>	<u>1,662,436</u>	<u>4.45%</u>

- The cost of all governmental activities this year was \$2,640,609.
- A portion of the cost financed by users of the District's programs was \$570,394.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$333,813.
- The net cost portion of governmental activities was financed with \$578,176 in property tax, \$95,680 in income surtax, \$119,221 in Statewide Sales and Services Tax, \$819,628 in unrestricted state grants and \$14,641 in unrestricted investment earnings.

### Business Type Activities

The District's only business type activity is the School Nutrition Fund. Revenues of the District's business type activities totaled \$116,392 in 2009, which is an increase of 13.16% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 2.32% to \$111,985 for business type activities in 2009. No new equipment was purchased with Nutrition Fund monies this fiscal year.

### INDIVIDUAL FUND ANALYSIS

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

As the District completed the year, its governmental funds reported combined fund balances of \$740,546, a decrease of \$121,994 from last year's ending fund balances of \$862,540. In General Fund a federal Reap Grant of \$27,295, Title IIA Grant of \$11,943, and state Early Intervention Grant of \$11,827 helped fund specific teacher salaries.

### Governmental Fund Highlights

- The decrease of \$155,855 in the District's General Fund balance compared to the prior year reflects the impact of four years of declining or stagnant enrollment numbers and continued budget cuts passed by state legislature. Open enrollment of students into Stanton from other school districts continues to be beneficial for the District, with 71 open enrolled in to Stanton (with 10 out) as of October 2008. Approval of grants also had a positive impact on revenues.

---

### **Proprietary Fund Highlights**

- The School Nutrition Fund net assets increased from \$25,280 in fiscal 2008 to \$29,687 in fiscal 2009, representing an increase of approximately 17.43%.

### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional expenditures associated with additional teacher quality funds and increased costs in non-instructional programs.

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

### **Legal Budgetary Highlights**

- For the 2008-09 fiscal year the District again budgeted on a GAAP basis. The District's total revenues for all funds were \$2,679,421, compared to the budgeted amount of \$2,618,116, which is \$61,305 or 2.34% more than budgeted.
- Total GAAP expenditures for all funds were \$2,808,070, as compared to the budgeted amount of \$3,100,434. The District was successful in efforts to control expenditures.
- Expenditures for the District's instruction and non-instructional programs budget were amended a net total increase of \$60,400.

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

#### **Capital Assets**

By the end of fiscal 2009, the District had invested governmental funds of \$1,237,211, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, and transportation equipment. (See Figure A-6).

In comparing fiscal 2009 to fiscal 2008, the largest percentage change in capital assets activity occurred in additions of machinery and equipment valued at over \$1,500 per item, which included a 2008 Chrysler van, a cage surrounding the K-6 air conditioner and a carpet extractor.

Accumulated depreciation under GASB 34 at year end totaled \$1,243,967 for governmental funds, and this figure includes \$74,873 for the current year.

The Proprietary, or School Nutrition Fund, has a total of \$12,160, net of accumulated depreciation, invested in capital assets. Excluding depreciation, the District has invested a total of \$47,548 in capital assets.

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

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 52,726	52,726	0	0	52,726	52,726	0.00%
Buildings	1,000,167	952,090	0	0	1,000,167	952,090	4.81%
Land improvements	70,699	64,729	0	0	70,699	64,729	8.44%
Machinery and equipment	101,459	111,092	12,160	14,504	113,619	125,596	-10.54%
Total	<u>\$ 1,225,051</u>	<u>1,180,637</u>	<u>12,160</u>	<u>14,504</u>	<u>1,237,211</u>	<u>1,195,141</u>	<u>3.52%</u>

### Long-Term Debt

No Long-Term Debt was noted for the 2008-2009 fiscal year.

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The impact of the world-wide recession and continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes where possible. Due to declining enrollment, the District has not received any new money for the past six years, and the state legislature's rollback in the budget guarantee will continue to have a negative impact on funding for the District.
- Health insurance premium costs for 2008-2009 increased 8.76% over the prior year, with similar increases projected for the coming year.
- Contract negotiations with the Stanton Education Association were approved at a 4.5% increase for 2008-2009 salaries/benefits for certificated personnel. A 3.7% increase for 2009-2010 was included in the two year contract.
- Passage of a change in language for use of one cent Local Option Sales and Service Tax monies allowing the District to use these funds to purchase buses and equipment costing over \$500 has proved beneficial for the District to enhance facilities and programs.
- A significant number of students open enrolled into the Stanton School District and relatively few open enrolled out currently has a substantially positive impact on funding. The goal of the District is to continue providing a top quality educational program with high student expectations in all areas so Stanton Community School will continue to be an excellent school where all children can succeed.
- The addition in summer 2005 of the Stanton Child Resource Center in Stanton, a preschool and daycare facility, is an enhancement for the entire community and potentially will lead to an increase in the number of students open enrolled into the school district.
- An application for the state voluntary 4-year-old preschool was not approved for the current fiscal year. However, an application will again be submitted for the coming year. Approval of this grant would provide funding for quality preschool instruction in

---

collaboration with the Good Shepherd Christian Preschool currently housed in the Mamrelund Lutheran Church.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carla Rydberg, Board Secretary, Stanton Community School District, 605 Elliott Street, Stanton, IA 51573.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:			
ISCAP	\$ 308,238	0	308,238
Other	969,389	19,811	989,200
Receivables:			
Property tax:			
Delinquent	8,094	0	8,094
Succeeding year	666,204	0	666,204
Income surtax	78,191	0	78,191
Accounts	1,294	0	1,294
Accrued ISCAP interest	1,803	0	1,803
Due from other governments	64,129	0	64,129
Inventories	0	2,988	2,988
Capital assets, net of accumulated depreciation	1,225,051	12,160	1,237,211
<b>TOTAL ASSETS</b>	<b>3,322,393</b>	<b>34,959</b>	<b>3,357,352</b>
<b>LIABILITIES</b>			
Accounts payable	70,689	1,405	72,094
Salaries and benefits payable	225,242	2,935	228,177
ISCAP warrants payable	304,000	0	304,000
ISCAP accrued interest payable	2,551	0	2,551
ISCAP unamortized premium	4,271	0	4,271
Deferred revenue:			
Succeeding year property tax	666,204	0	666,204
Other	5,648	0	5,648
Unearned revenue	0	932	932
<b>TOTAL LIABILITIES</b>	<b>1,278,605</b>	<b>5,272</b>	<b>1,283,877</b>
<b>NET ASSETS</b>			
Invested in capital assets	1,225,051	12,160	1,237,211
Restricted for:			
Categorical funding	49,892	0	49,892
Capital projects	204,462	0	204,462
Management levy	117,915	0	117,915
Physical plant and equipment levy	25,035	0	25,035
Other special revenue purposes	81,714	0	81,714
Unrestricted	339,719	17,527	357,246
<b>TOTAL NET ASSETS</b>	<b>\$ 2,043,788</b>	<b>29,687</b>	<b>2,073,475</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Governmental activities:</b>						
Instruction:						
Regular	\$ 1,146,574	333,036	246,260	(567,278)	0	(567,278)
Special	209,987	79,174	9,905	(120,908)	0	(120,908)
Other	403,357	158,184	0	(245,173)	0	(245,173)
	<u>1,759,918</u>	<u>570,394</u>	<u>256,165</u>	<u>(933,359)</u>	<u>0</u>	<u>(933,359)</u>
<b>Support services:</b>						
Student	71,796	0	0	(71,796)	0	(71,796)
Instructional staff	18,769	0	0	(18,769)	0	(18,769)
Administration	358,246	0	0	(358,246)	0	(358,246)
Operation and maintenance of plant	190,291	0	0	(190,291)	0	(190,291)
Transportation services	110,923	0	0	(110,923)	0	(110,923)
	<u>750,025</u>	<u>0</u>	<u>0</u>	<u>(750,025)</u>	<u>0</u>	<u>(750,025)</u>
Non-instructional programs	1,500	0	0	(1,500)		(1,500)
<b>Other expenditures:</b>						
Facilities acquisitions	8,470	0	0	(8,470)	0	(8,470)
AEA flowthrough	77,648	0	77,648	0	0	0
Depreciation(unallocated)*	43,048	0	0	(43,048)	0	(43,048)
	<u>129,166</u>	<u>0</u>	<u>77,648</u>	<u>(51,518)</u>	<u>0</u>	<u>(51,518)</u>
Total governmental activities	2,640,609	570,394	333,813	(1,736,402)	0	(1,736,402)
<b>Business Type activities:</b>						
Non-instructional programs:						
Nutrition services	111,985	75,484	40,890	0	4,389	4,389
Total business-type activities	<u>111,985</u>	<u>75,484</u>	<u>40,890</u>	<u>0</u>	<u>4,389</u>	<u>4,389</u>
Total	\$ 2,752,594	645,878	374,703	(1,736,402)	4,389	(1,732,013)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 562,094	0	562,094
Capital outlay				16,082	0	16,082
Income surtax				95,680	0	95,680
Statewide sales and services				119,221	0	119,221
Unrestricted state grants				819,628	0	819,628
Unrestricted investment earnings				14,641	18	14,659
Other				34,078	0	34,078
Total general revenues				<u>1,661,424</u>	<u>18</u>	<u>1,661,442</u>
Changes in net assets				(74,978)	4,407	(70,571)
Net assets beginning of year				2,118,766	25,280	2,144,046
Net assets end of year				<u>\$ 2,043,788</u>	<u>29,687</u>	<u>2,073,475</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP	\$ 308,238	0	0	308,238
Other	538,594	206,809	223,986	969,389
Receivables:				
Property tax:				
Delinquent	7,326	0	768	8,094
Succeeding year	609,458	0	56,746	666,204
Income surtax	78,191	0	0	78,191
Accounts	1,284	0	10	1,294
Accrued ISCAP interest	1,803	0	0	1,803
Due from other governments	39,186	24,943	0	64,129
<b>TOTAL ASSETS</b>	<b>\$ 1,584,080</b>	<b>231,752</b>	<b>281,510</b>	<b>2,097,342</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 43,299	27,290	100	70,689
Salaries and benefits payable	225,242	0	0	225,242
ISCAP warrants payable	304,000	0	0	304,000
ISCAP accrued interest payable	2,551	0	0	2,551
ISCAP unamortized premium	4,271	0	0	4,271
Deferred revenue:				
Succeeding year property tax	609,458	0	56,746	666,204
Income surtax	78,191	0	0	78,191
Other	5,648	0	0	5,648
Total liabilities	1,272,660	27,290	56,846	1,356,796
Fund balances:				
Reserved for:				
Categorical funding	49,892	0	0	49,892
Unreserved:				
Designated for special purpose	12,802	0	0	12,802
Undesignated	248,726	204,462	224,664	677,852
Total fund balances	311,420	204,462	224,664	740,546
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,584,080</b>	<b>231,752</b>	<b>281,510</b>	<b>2,097,342</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 16)	\$ 740,546
<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.	1,225,051
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	<u>78,191</u>
Net assets of governmental activities (page 14)	<u>\$ 2,043,788</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 616,365	119,221	54,889	790,475
Tuition	412,210	0	0	412,210
Other	58,435	0	148,468	206,903
State sources	1,068,942	0	0	1,068,942
Federal sources	84,499	0	0	84,499
Total revenues	<u>2,240,451</u>	<u>119,221</u>	<u>203,357</u>	<u>2,563,029</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,131,840	5,875	7,751	1,145,466
Special	209,987	0	0	209,987
Other	261,005	0	142,352	403,357
	<u>1,602,832</u>	<u>5,875</u>	<u>150,103</u>	<u>1,758,810</u>
Support services:				
Student	71,496	0	300	71,796
Instructional staff	18,469	0	300	18,769
Administration	346,603	0	9,783	356,386
Operation and maintenance of plant	184,477	0	8,355	192,832
Transportation services	105,843	0	6,936	112,779
	<u>726,888</u>	<u>0</u>	<u>25,674</u>	<u>752,562</u>
Non-instructional programs	<u>0</u>	<u>0</u>	<u>1,500</u>	<u>1,500</u>
Other expenditures:				
Facilities acquisitions	0	95,153	10,412	105,565
AEA flowthrough	77,648	0	0	77,648
	<u>77,648</u>	<u>95,153</u>	<u>10,412</u>	<u>183,213</u>
Total expenditures	<u>2,407,368</u>	<u>101,028</u>	<u>187,689</u>	<u>2,696,085</u>
Excess(deficiency) of revenues over(under) expenditures	(166,917)	18,193	15,668	(133,056)
Other financing sources:				
Sale of equipment	200	0	0	200
Compensation for loss on disposal	10,862	0	0	10,862
Total other financing sources	<u>11,062</u>	<u>0</u>	<u>0</u>	<u>11,062</u>
Net change in fund balances	(155,855)	18,193	15,668	(121,994)
Fund balance beginning of year	<u>467,275</u>	<u>186,269</u>	<u>208,996</u>	<u>862,540</u>
Fund balance end of year	<u>\$ 311,420</u>	<u>204,462</u>	<u>224,664</u>	<u>740,546</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 18) \$ (121,994)

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

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

Capital outlays	\$ 119,287	
Depreciation expense	<u>(74,873)</u>	44,414

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	<u>2,602</u>
---	--------------

Changes in net assets of governmental activities (page 15) \$ (74,978)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 19,811
Inventories	2,988
Capital assets, net of accumulated depreciation	12,160
TOTAL ASSETS	<u>34,959</u>
LIABILITIES	
Accounts payable	1,405
Salaries and benefits payable	2,935
Unearned revenue	932
TOTAL LIABILITIES	<u>5,272</u>
NET ASSETS	
Invested in capital assets	12,160
Unrestricted	17,527
TOTAL NET ASSETS	<u>\$ 29,687</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 75,484
TOTAL OPERATING REVENUES	75,484
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	39,746
Benefits	5,372
Services	356
Supplies	64,167
Depreciation	2,344
TOTAL OPERATING EXPENSES	111,985
OPERATING LOSS	(36,501)
NON-OPERATING REVENUES:	
State sources	1,557
Federal sources	39,333
Interest on investments	18
TOTAL NON-OPERATING REVENUES	40,908
Change in net assets	4,407
Net assets beginning of year	25,280
Net assets end of year	\$ 29,687

SEE NOTES TO FINANCIAL STATEMENTS.

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

Exhibit I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 74,866
Cash received from miscellaneous operating activities	176
Cash payments to employees for services	(45,414)
Cash payments to suppliers for goods or services	(57,027)
Net cash used in operating activities	(27,399)
Cash flows from non-capital financing activities:	
State grants received	1,557
Federal grants received	33,018
Net cash provided by non-capital financing activities	34,575
Cash flows from investing activities:	
Interest on investments	18
Net cash provided by investing activities	18
Net increase in cash and cash equivalents	7,194
Cash and cash equivalents at beginning of year	12,617
Cash and cash equivalents at end of year	\$ 19,811
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (36,501)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	6,315
Depreciation	2,344
Decrease in inventories	1,058
Decrease in accounts receivable	79
Increase in accounts payable	123
Decrease in salaries and benefits payable	(296)
Decrease in unearned revenue	(521)
Net cash used in operating activities	\$ (27,399)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 19,811

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$6,315.

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$          49,536
TOTAL ASSETS	<u>                  49,536</u>
LIABILITIES	<u>                          0</u>
NET ASSETS	
Reserved for scholarships	<u><u>                  \$          49,536</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 1,213
Total additions	1,213
Deductions:	
Support services:	
Scholarships awarded	1,500
Other	20
Total deductions	1,520
Change in net assets	(307)
Net assets beginning of year	49,843
Net assets end of year	\$ 49,536

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

The Stanton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Stanton, Iowa, and the predominate agricultural territory in Page and Montgomery Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Stanton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Stanton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Montgomery and Page County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

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

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

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

recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

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

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

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

As of June 30, 2009, the District had no reportable investments.

(3) 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. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 193,449	1,789	191,000	2,512
2009-10A	6/25/09	6/23/10	114,789	14	113,000	39
Total			<u>\$ 308,238</u>	<u>1,803</u>	<u>304,000</u>	<u>2,551</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 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

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
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

**(4) 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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,726	0	0	52,726
Total capital assets not being depreciated	<u>52,726</u>	<u>0</u>	<u>0</u>	<u>52,726</u>
Capital assets being depreciated:				
Buildings	1,672,882	86,379	0	1,759,261
Land improvements	86,334	10,716	0	97,050
Machinery and equipment	557,549	22,192	19,760	559,981
Total capital assets being depreciated	<u>2,316,765</u>	<u>119,287</u>	<u>19,760</u>	<u>2,416,292</u>
Less accumulated depreciation for:				
Buildings	720,792	38,302	0	759,094
Land improvements	21,605	4,746	0	26,351
Machinery and equipment	446,457	31,825	19,760	458,522
Total accumulated depreciation	<u>1,188,854</u>	<u>74,873</u>	<u>19,760</u>	<u>1,243,967</u>
Total capital assets being depreciated, net	<u>1,127,911</u>	<u>44,414</u>	<u>0</u>	<u>1,172,325</u>
Governmental activities capital assets, net	<u>\$ 1,180,637</u>	<u>44,414</u>	<u>0</u>	<u>1,225,051</u>
Business type activities:				
Machinery and equipment	\$ 47,548	0	0	47,548
Less accumulated depreciation	33,044	2,344	0	35,388
Business type activities capital assets, net	<u>\$ 14,504</u>	<u>(2,344)</u>	<u>0</u>	<u>12,160</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 4,283
Support services:	
Administration	1,860
Operation and maintenance of plant	159
Transportation	25,523
	<u>31,825</u>
Unallocated depreciation	<u>43,048</u>
Total depreciation expense - governmental activities	<u>\$ 74,873</u>
Business type activities:	
Food service operations	<u>\$ 2,344</u>

**(5) Pension and Retirement Benefits**

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

may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$93,401, \$86,376, and \$79,146 respectively equal to the required contributions for each year.

**(6) Other Postemployment Benefits (OPEB)**

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45.

**(7) Risk Management**

The Stanton Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2009 were \$268,977.

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

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

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$77,648 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.

(9) Categorical Funding

The District's ending balances for categorical funding by project as of June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Gifted and talented	\$ 40,377
Teacher quality, market factor	1,903
Educator quality, core curriculum	4,575
Educator quality, professional development	<u>3,037</u>
Total reserved for categorical funding	<u>\$ 49,892</u>

REQUIRED SUPPLEMENTARY INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 1,409,588	75,502	1,485,090	1,434,115	1,434,115	50,975
State sources	1,068,942	1,557	1,070,499	1,079,721	1,079,721	(9,222)
Federal sources	84,499	39,333	123,832	104,280	104,280	19,552
Total revenues	<u>2,563,029</u>	<u>116,392</u>	<u>2,679,421</u>	<u>2,618,116</u>	<u>2,618,116</u>	<u>61,305</u>
<b>Expenditures/Expenses:</b>						
Instruction	1,758,810	0	1,758,810	1,762,100	1,820,000	61,190
Support services	752,562	0	752,562	918,460	918,460	165,898
Non-instructional programs	1,500	111,985	113,485	111,500	114,000	515
Other expenditures	183,213	0	183,213	247,974	247,974	64,761
Total expenditures/expenses	<u>2,696,085</u>	<u>111,985</u>	<u>2,808,070</u>	<u>3,040,034</u>	<u>3,100,434</u>	<u>292,364</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(133,056)	4,407	(128,649)	(421,918)	(482,318)	353,669
Other financing sources, net	11,062	0	11,062	0	0	11,062
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(121,994)	4,407	(117,587)	(421,918)	(482,318)	364,731
Balance beginning of year	862,540	25,280	887,820	695,333	695,333	192,487
Balance end of year	<u>\$ 740,546</u>	<u>29,687</u>	<u>770,233</u>	<u>273,415</u>	<u>213,015</u>	<u>557,218</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$60,400.

OTHER SUPPLEMENTARY INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 117,369	81,804	24,813	223,986
Receivables:				
Property tax:				
Current year delinquent	546	0	222	768
Succeeding year	40,000	0	16,746	56,746
Accounts	0	10	0	10
<b>TOTAL ASSETS</b>	<b>\$ 157,915</b>	<b>81,814</b>	<b>41,781</b>	<b>281,510</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 0	100	0	100
Deferred revenue:				
Succeeding year property tax	40,000	0	16,746	56,746
Total liabilities	40,000	100	16,746	56,846
Unreserved fund balances	117,915	81,714	25,035	224,664
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 157,915</b>	<b>81,814</b>	<b>41,781</b>	<b>281,510</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 38,807	0	16,082	54,889
Other	5,409	143,052	7	148,468
TOTAL REVENUES	44,216	143,052	16,089	203,357
EXPENDITURES:				
Current:				
Instruction:				
Regular	7,751	0	0	7,751
Other	0	142,352	0	142,352
Support services:				
Student support	300	0	0	300
Instructional staff	300	0	0	300
Administration	9,783	0	0	9,783
Operation and maintenance of plant	8,355	0	0	8,355
Student transportation	6,936	0	0	6,936
Non-instructional programs				
Food service operations	1,500	0	0	1,500
Other expenditures:				
Facilities acquisitions	0	0	10,412	10,412
TOTAL EXPENDITURES	34,925	142,352	10,412	187,689
EXCESS OF REVENUES OVER EXPENDITURES	9,291	700	5,677	15,668
FUND BALANCE BEGINNING OF YEAR	108,624	81,014	19,358	208,996
FUND BALANCE END OF YEAR	\$ 117,915	81,714	25,035	224,664

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest on Investments	\$ 0	115	115	0
School Play	644	425	261	808
Declam	(440)	89	524	(875)
Musical Events	5,103	10,269	9,018	6,354
Elementary Music	3,324	2,052	2,820	2,556
Band Repair	0	603	603	0
Athletic Fundraisers	3,825	5,735	1,864	7,696
Cheerleaders	2,763	1,905	2,452	2,216
Athletics	23,081	50,148	51,281	21,948
Class of 2009	4,418	2,886	7,304	0
Class of 2010	1,915	14,274	9,599	6,590
Class of 2011	833	480	0	1,313
Class of 2012	365	330	0	695
Class of 2013	95	335	0	430
Class of 2014	0	105	0	105
Class Gifts	2,322	0	0	2,322
Future Farmers	5,775	13,984	15,703	4,056
FCCLA	1,181	7,586	7,668	1,099
Math Club	253	0	0	253
National Honor Society	492	244	526	210
Pep Club	2,016	4,032	4,047	2,001
Spanish Club	2,757	3,546	5,708	595
Student Council	5,017	1,639	1,802	4,854
Yearbook	11,746	10,344	8,619	13,471
Student Projects	14	1,238	1,242	10
Commissary	2,326	7,696	8,073	1,949
Elementary Field Trip	30	1,224	1,224	30
Co-Curricular	1,142	0	114	1,028
FCCLA Fundraiser	17	921	938	0
FCS Student Project	0	847	847	0
<b>Total</b>	<b>\$ 81,014</b>	<b>143,052</b>	<b>142,352</b>	<b>81,714</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 790,475	751,980	816,208	812,404	774,478	839,447
Tuition	412,210	380,232	372,449	416,239	363,162	288,017
Other	206,903	198,006	191,916	180,176	175,811	199,578
State sources	1,068,942	1,116,575	1,052,963	987,922	1,037,699	964,363
Federal sources	84,499	76,880	76,494	83,266	102,547	131,029
<b>Total</b>	<b>\$ 2,563,029</b>	<b>2,523,673</b>	<b>2,510,030</b>	<b>2,480,007</b>	<b>2,453,697</b>	<b>2,422,434</b>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 1,145,466	1,056,816	1,012,520	978,668	914,534	892,927
Special	209,987	214,238	200,027	191,453	172,608	186,612
Other	403,357	367,851	383,075	365,349	372,540	349,119
Support services:						
Student	71,796	67,487	62,527	59,583	57,849	58,727
Instructional staff	18,769	18,386	17,688	9,940	6,294	9,633
Administration	356,386	344,131	353,439	352,493	336,369	291,741
Operation and maintenance of plant	192,832	190,929	182,726	184,976	164,924	173,358
Transportation	112,779	109,609	140,754	114,529	145,957	69,617
Central	0	0	0	0	0	9,162
Non-instructional programs	1,500	1,278	1,005	875	2,075	2,518
Other expenditures:						
Facilities acquisitions	105,565	98,372	33,880	21,018	6,844	49,206
Long-term debt:						
Principal	0	0	105,000	100,000	95,000	95,000
Interest and other charges	0	0	4,915	9,165	13,155	16,998
AEA flow-through	77,648	75,545	73,735	71,333	72,446	72,998
<b>Total</b>	<b>\$ 2,696,085</b>	<b>2,544,642</b>	<b>2,571,291</b>	<b>2,459,382</b>	<b>2,360,595</b>	<b>2,277,616</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stanton Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 22, 2009. 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 Stanton 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 Stanton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Stanton 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 Stanton 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 Stanton Community School District's financial statements that is more than inconsequential will not be prevented or detected by Stanton Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings 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 Stanton Community School District's internal control.

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

#### Compliance and Other Matters

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

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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Stanton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 22, 2009

STANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-09 Activity Admissions - It was noted during our audit that the District doesn't always utilize pre-numbered tickets for all events that require admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At minimum these procedures would include:

- a. Cash or change boxes should be established with a specific amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collections/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number multiplied by the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.

h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.

i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.

j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We will review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

#### CONTROL DEFICIENCIES:

I-C-09 Updating of Board Policies - During our audit we noted that some Board Policies had not been reviewed and updated for many years.

Recommendation - Board Policies should be reviewed and updated at least every five years.

Response - Board policies will be regularly reviewed/updated.

Conclusion - Response accepted.

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

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - Time sheets will be submitted by non-certified coaches to ensure payment of minimum wage.

Conclusion - Response accepted.

STANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.
- II-B-09 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.
- Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.
- Response - This was a one time occurrence and every effort will be made to ensure timely publications of minutes.
- Conclusion- Response accepted.
- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-09 Categorical Funding- No instances were noted of the District using categorical funding to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax- No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

the statewide sales and services tax are as follows:

Beginning balance	\$	0
Statewide sales and services tax revenue		119,221
Expenditures/transfers out		<u>0</u>
Ending balance	\$	<u><u>119,221</u></u>

II-L-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The board president's signature will be on all Activity Fund officiating contracts.

Conclusion - Response accepted.

II-M-09 Clothing Purchased for Coaches - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Commission of the State of Iowa requires that public funds may only be spent for the public benefit. Since the Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District should refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups. The costs associated with the clothing should be reimbursed from the employee or added to their W-2's as additional compensation.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing for coaches and other District employees in lieu of using public funds.

Response - The Athletic Director has been informed that personal items may not be purchased using Student Activity Funds, and this will not happen again.

Conclusion - Response accepted.

II-N-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more

properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8).” Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

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

The FFA, FCCLA and National Honor Society accounts award scholarships from proceeds from donations and miscellaneous receipts generated by the Student Activity Fund during the year. When donations are received by the District the revenues should be recorded in the fund that may legally pay for the purpose of the donation. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship donations should be placed and expended from the Trust Fund.

Response - All scholarship income and payments will be recorded through the Trust Fund.

Conclusion - Response accepted.