

STARMONT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Starmont Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
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Board of Education

(Before September 2008 Election)

Laura Morine	President	2008
Kevin Powell	Board Member	2010
Jerry Flexsenhar	Board Member	2010
Tina Pech	Board Member	2009
Dennis Kleve	Board Member	2009

Board of Education

(After September 2008 Election)

Laura Morine	President	2011
Kevin Powell	Board Member	2011*
Jerry Flexsenhar	Board Member	2011*
Tina Pech	Board Member	2009
Dennis Kleve	Board Member	2009

School Officials

Matt O'Loughlin	Superintendent	2009
Vicki Vanter	Board Secretary/ Business Manager	2009
Brian L Gruhn	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.

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2010 on our consideration of Starmont 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 37 through 38 are not required parts of the basic financial statements, but are supplementary

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Starmont Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 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.

March 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,409,557 in fiscal 2008 to \$6,730,005 in fiscal 2009, while General Fund expenditures decreased from \$7,147,677 in fiscal 2008 to \$6,894,720 in fiscal 2009. However, as expenses were still higher than revenues, the District's General Fund balance experienced a decline from a deficit fund balance of \$265,397 in fiscal 2008 to a deficit fund balance of \$430,112 in fiscal 2009, a 62.06% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in the amounts of local tax, intermediate and state sources of revenues received by the District. The decrease in expenditures was due primarily to the decrease in the instruction and support services functional areas.
- The District's solvency ratio as of June 30, 2009 was -7.44% as compared to -4.85% at June 30, 2008.

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 Starmont 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 Starmont 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 Starmont Community School District acts solely as an agent or custodian 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 governmental funds.

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

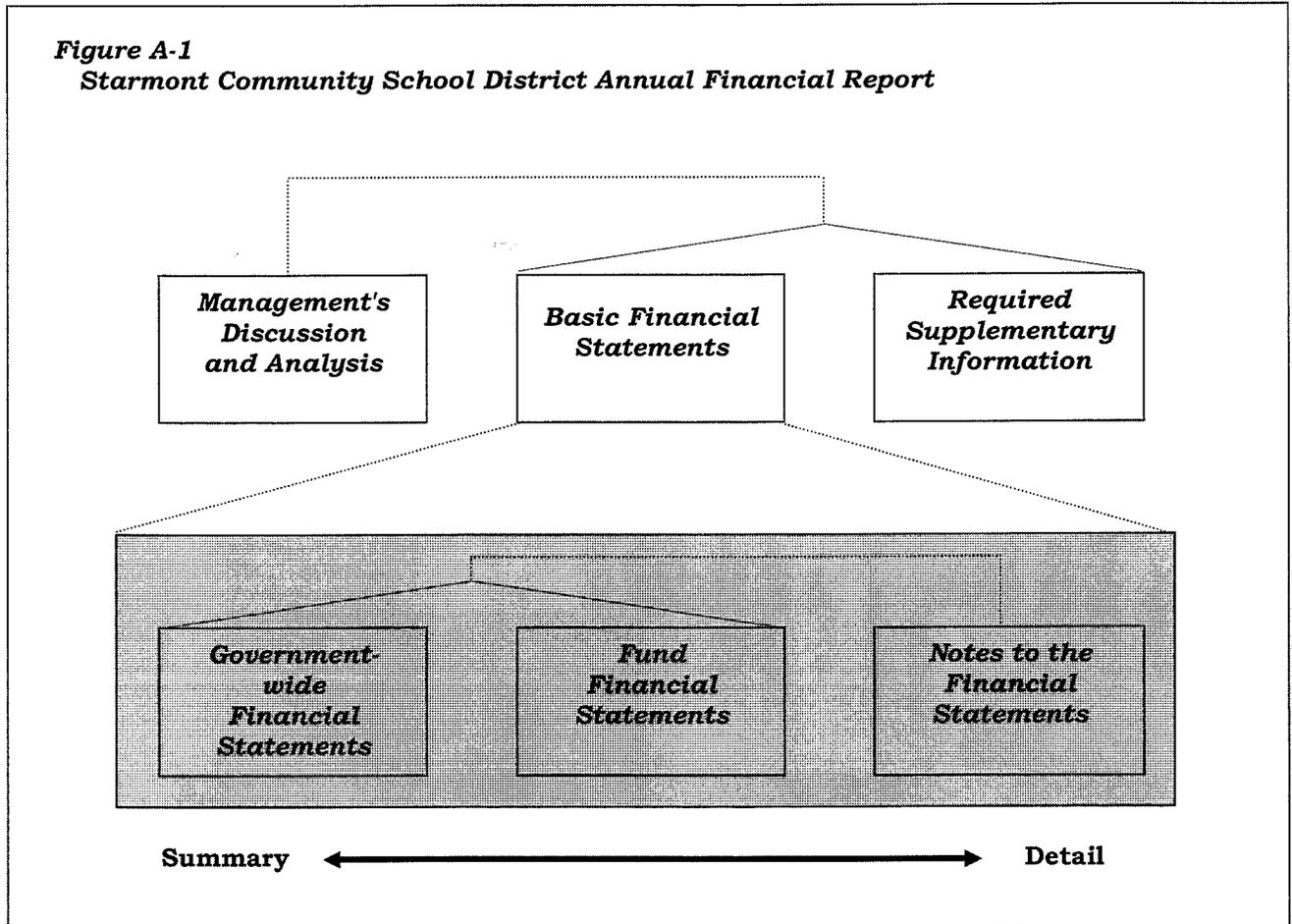


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, e.g., food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is a 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.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 5,759,410	6,330,428	17,106	51,664	5,776,516	6,382,092	-9.49%
Capital assets	4,861,790	4,895,530	13,065	16,605	4,874,855	4,912,135	-0.76%
Total assets	10,621,200	11,225,958	30,171	68,269	10,651,371	11,294,227	-5.69%
Long-term obligations	787,730	1,201,330	2,708	0	790,438	1,201,330	-34.20%
Other liabilities	5,659,905	5,755,129	29,151	22,734	5,689,056	5,777,863	-1.54%
Total liabilities	6,447,635	6,956,459	31,859	22,734	6,479,494	6,979,193	-7.16%
Net assets:							
Invested in capital assets, net of related debt	4,381,790	3,945,530	13,065	16,605	4,394,855	3,962,135	10.92%
Restricted	506,467	708,209	0	0	506,467	708,209	-28.49%
Unrestricted	(714,692)	(384,240)	(14,753)	28,930	(729,445)	(355,310)	-105.30%
Total net assets	\$ 4,173,565	4,269,499	(1,688)	45,535	4,171,877	4,315,034	-3.32%

The District's combined net assets decreased by 3.32%, or \$143,157, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$201,742, or 28.49% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$374,135, or 105.30%.

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

	Figure A-4						
	Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
2009	2008	2009	2008	2009	2008	2008-09	
Revenues:							
Program revenues:							
Charges for services	\$ 494,029	507,366	184,605	183,991	678,634	691,357	-1.84%
Operating grants and contributions and restricted interest	1,018,179	986,494	166,051	158,089	1,184,230	1,144,583	3.46%
Capital grants, contributions and restricted interest	5,000	0	0	0	5,000	0	100.00%
General revenues:							
Property tax	2,754,620	2,705,948	0	0	2,754,620	2,705,948	1.80%
Statewide sales and service tax	399,526	410,921	0	0	399,526	410,921	-2.77%
Unrestricted state grants	2,903,067	2,855,242	0	0	2,903,067	2,855,242	1.67%
Other	249,845	120,559	233	277	250,078	120,836	106.96%
Total revenues	<u>7,824,266</u>	<u>7,586,530</u>	<u>350,889</u>	<u>342,357</u>	<u>8,175,155</u>	<u>7,928,887</u>	<u>3.11%</u>
Program expenses:							
Governmental activities:							
Instruction	5,196,323	5,348,556	12,509	6,702	5,208,832	5,355,258	-2.73%
Support services	1,942,244	1,974,193	5,818	4,341	1,948,062	1,978,534	-1.54%
Non-instructional programs	0	0	379,785	324,620	379,785	324,620	16.99%
Other expenses	781,633	623,094	0	0	781,633	623,094	25.44%
Total expenses	<u>7,920,200</u>	<u>7,945,843</u>	<u>398,112</u>	<u>335,663</u>	<u>8,318,312</u>	<u>8,281,506</u>	<u>0.44%</u>
Change in net assets	(95,934)	(359,313)	(47,223)	6,694	(143,157)	(352,619)	-59.40%
Net assets beginning of year	<u>4,269,499</u>	<u>4,628,812</u>	<u>45,535</u>	<u>38,841</u>	<u>4,315,034</u>	<u>4,667,653</u>	<u>-7.55%</u>
Net assets end of year	<u>\$ 4,173,565</u>	<u>4,269,499</u>	<u>(1,688)</u>	<u>45,535</u>	<u>4,171,877</u>	<u>4,315,034</u>	<u>-3.32%</u>

In fiscal 2009, property tax and unrestricted state grants account for 72.31% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$8.18 million of which \$7.83 million was for governmental activities and \$.35 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.11% in revenues and a 0.44% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$7,824,266 and expenses were \$7,920,200.

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

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 5,196,323	5,348,556	-2.85%	3,953,073	4,145,929	-4.65%
Support services	1,942,244	1,974,193	-1.62%	1,939,248	1,969,276	-1.52%
Other expenses	781,633	623,094	25.44%	510,671	336,778	51.63%
Totals	\$ 7,920,200	7,945,843	-0.32%	6,402,992	6,451,983	-0.76%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$494,029.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,023,179.
- The net cost of governmental activities was financed with \$2,754,620 in property tax, \$399,526 in statewide sales and services tax, \$2,903,067 in unrestricted state grants and \$78,222 in interest income and \$171,623 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$350,889 and expenses were \$398,112. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$100,457 compared to last year's ending fund balances of \$577,378. However, a large portion of the decrease in combined fund balances in fiscal 2009 is due to decreases in the General Fund and Capital Projects Fund balances during fiscal 2009.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors: The District had an increase in revenues and a decrease in expenditures. However, the increase in revenues was not enough to offset the expenditures, thus causing the General Fund Balance to decrease.
- The Capital Projects Fund decreased from a fund balance of \$409,172 to \$249,273 due mainly to an increase in expenditures as compared to fiscal 2008. The Capital Projects Fund was also able to contribute to the reduction of the District's general obligation bond indebtedness through a transfer to the Debt Service Fund of \$235,000.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$45,535 at June 30, 2008 to a deficit balance of \$1,688 at June 30, 2009, representing a decrease of 103.71%.

During the fiscal year 2007, the District started a Day Care Fund. Revenues totaled \$11,353 and expenses totaled \$12,509 for the year ending June 30, 2009, resulting in a decrease of \$1,156 and creating a deficit fund balance of \$1,022.

BUDGETARY HIGHLIGHTS

Over the course of the year, Starmont Community School District amended its budget one time to reflect additional expenditures.

The District's revenues were \$46,095 more than budgeted revenues, a variance of 0.57%. The most significant dollar value variance resulted from the District receiving more from federal sources than originally anticipated.

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

In spite of the District's budgetary practice, expenditures in the instruction, non-instructional and other expenditures functions exceeded the certified budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$4,874,855, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.76% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$255,453.

The original cost of the District's capital assets was \$9,267,901. Governmental funds account for \$9,143,056 with the remainder of \$124,845 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$166,160 at June 30, 2009 compared to \$80,476 at June 30, 2008. This increase was due to the completion of the baseball lighting project at the high school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 26,300	26,300	0	0	26,300	26,300	0.00%
Construction in progress	0	84,400	0	0	0	84,400	-100.00%
Buildings	4,419,497	4,497,828	0	0	4,419,497	4,497,828	-1.74%
Land improvements	166,160	80,476	0	0	166,160	80,476	106.47%
Machinery and equipment	249,833	206,526	13,065	16,605	262,898	223,131	17.82%
Total	\$ 4,861,790	4,895,530	13,065	16,605	4,874,855	4,912,135	-0.76%

Long-Term Debt

At June 30, 2009, the District had \$790,438 in general obligation and other long-term debt outstanding. This represents a decrease of 34.20% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had general obligation bonds payable of \$480,000 at June 30, 2009.

The District had compensated absences payable of \$20,103 from the General Fund and Enterprise, School Nutrition Fund at June 30, 2009.

The District had early retirement payable of \$290,335 from the Special Revenue, Management Levy Fund at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
General obligation bonds	\$ 480,000	950,000	0	0	480,000	950,000	-49.47%
Compensated absences	17,395	22,550	2,708	0	20,103	22,550	-10.85%
Early retirement	290,335	228,780	0	0	290,335	228,780	26.91%
Total	\$ 787,730	1,201,330	2,708	0	790,438	1,201,330	-34.20%

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:

- During fiscal year 2009, the District began to make cuts in our support staff and will continue to do so during fiscal year 2010 without hurting the quality of programs offered by the District.
- The District has some early retirements for fiscal year 2009 and through attrition some positions will not be hired back. The same scenario will carry over into fiscal year 2010.

-
- If enrollment numbers continue to decline, this will negatively impact the financial health of the District.
 - With the September 25, 2009 ten percent across-the-board reduction, the District will continue to implement cost-saving measures and develop a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost-saving measures we will implement and how much we can spend from our reserves.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vicki Vanter, Business Manager, Starmont Community School District, 3202 40th Street, Arlington, Iowa, 50606.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP	\$ 1,668,313	0	1,668,313
Other	673,050	8,754	681,804
Receivables:			
Property tax:			
Delinquent	55,521	0	55,521
Succeeding year	3,052,046	0	3,052,046
Accounts	189,339	1,707	191,046
Accrued ISCAP interest	4,863	0	4,863
Due from other governments	116,278	0	116,278
Inventories	0	6,645	6,645
Capital assets, net of accumulated depreciation	4,861,790	13,065	4,874,855
Total assets	10,621,200	30,171	10,651,371
Liabilities			
Accounts payable	165,771	655	166,426
Salaries and benefits payable	681,350	23,499	704,849
ISCAP warrants payable	1,644,000	0	1,644,000
ISCAP accrued interest payable	7,864	0	7,864
ISCAP unamortized premium	27,009	0	27,009
Accrued interest payable	952	0	952
Deferred revenue:			
Succeeding year property tax	3,052,046	0	3,052,046
Other	80,913	0	80,913
Unearned revenue	0	4,997	4,997
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	480,000	0	480,000
Early retirement payable	127,320	0	127,320
Compensated absences	17,395	2,708	20,103
Portion due after one year:			
Early retirement payable	163,015	0	163,015
Total liabilities	6,447,635	31,859	6,479,494
Net Assets			
Invested in capital assets, net of related debt	4,381,790	13,065	4,394,855
Restricted for:			
Categorical funding	70,912	0	70,912
Physical plant and equipment levy	47,712	0	47,712
Capital projects	249,273	0	249,273
Debt service	109,731	0	109,731
Other special revenue purposes	28,839	0	28,839
Unrestricted	(714,692)	(14,753)	(729,445)
Total net assets	\$ 4,173,565	(1,688)	4,171,877

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,174,278	294,663	695,043	0	(2,184,572)	0	(2,184,572)
Special	963,902	44,013	57,174	0	(862,715)	0	(862,715)
Other	1,058,143	152,357	0	0	(905,786)	0	(905,786)
	5,196,323	491,033	752,217	0	(3,953,073)	0	(3,953,073)
Support services:							
Student	142,101	0	0	0	(142,101)	0	(142,101)
Instructional staff	39,464	0	0	0	(39,464)	0	(39,464)
Administration	821,803	0	0	0	(821,803)	0	(821,803)
Operation and maintenance of plant	571,082	0	0	0	(571,082)	0	(571,082)
Transportation	367,794	2,996	0	0	(364,798)	0	(364,798)
	1,942,244	2,996	0	0	(1,939,248)	0	(1,939,248)
Other expenditures:							
Facilities acquisitions	329,697	0	0	5,000	(324,697)	0	(324,697)
Long-term debt interest	24,114	0	0	0	(24,114)	0	(24,114)
AEA flowthrough	265,962	0	265,962	0	0	0	0
Depreciation(unallocated)*	161,860	0	0	0	(161,860)	0	(161,860)
	781,633	0	265,962	5,000	(510,671)	0	(510,671)
Total governmental activities	7,920,200	494,029	1,018,179	5,000	(6,402,992)	0	(6,402,992)
Business Type activities:							
Instructional programs:							
Regular	12,509	11,353	0	0	0	(1,156)	(1,156)
Support services:							
Operation and maintenance of plant	5,818	0	0	0	0	(5,818)	(5,818)
Non-instructional programs:							
Food service operations	379,785	173,252	166,051	0	0	(40,482)	(40,482)
Total business type activities	398,112	184,605	166,051	0	0	(47,456)	(47,456)
Total	\$ 8,318,312	678,634	1,184,230	5,000	(6,402,992)	(47,456)	(6,450,448)
General Revenues:							
Property tax levied for:							
General purposes				\$ 2,433,214	0	2,433,214	
Debt service				260,982	0	260,982	
Capital outlay				60,424	0	60,424	
Statewide sales and services tax:				399,526	0	399,526	
Unrestricted state grants				2,903,067	0	2,903,067	
Unrestricted investment earnings				78,222	233	78,455	
Other general revenues				171,623	0	171,623	
Total general revenues				6,307,058	233	6,307,291	
Changes in net assets				(95,934)	(47,223)	(143,157)	
Net assets beginning of year				4,269,499	45,535	4,315,034	
Net assets end of year				\$ 4,173,565	(1,688)	4,171,877	

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments:			
ISCAP	\$ 1,668,313	0	1,668,313
Other	210,141	462,909	673,050
Receivables:			
Property tax:			
Delinquent	48,798	6,723	55,521
Succeeding year	2,381,617	670,429	3,052,046
Accounts	183,139	6,200	189,339
Accrued ISCAP interest	4,863	0	4,863
Due from other governments	0	116,278	116,278
Total assets	\$ 4,496,871	1,262,539	5,759,410
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 129,230	36,541	165,771
Salaries and benefits payable	681,350	0	681,350
ISCAP warrants payable	1,644,000	0	1,644,000
ISCAP accrued interest payable	7,864	0	7,864
ISCAP unamortized premium	27,009	0	27,009
Deferred revenue:			
Succeeding year property tax	2,381,617	670,429	3,052,046
Other	55,913	25,000	80,913
Total liabilities	4,926,983	731,970	5,658,953
Fund balances:			
Reserved for:			
Categorical funding	70,912	0	70,912
Debt service	0	109,731	109,731
Unreserved	(501,024)	420,838	(80,186)
Total fund balances	(430,112)	530,569	100,457
Total liabilities and fund balances	\$ 4,496,871	1,262,539	5,759,410

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

STAR MONT 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)	\$	100,457
 <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:		4,861,790
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(952)
Long-term liabilities, including bonds payable, compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(787,730)</u>
Net assets of governmental activities (page 14)	\$	<u><u>4,173,565</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 2,333,160	820,986	3,154,146
Tuition	310,458	0	310,458
Other	118,704	272,681	391,385
Intermediate sources	42,451	0	42,451
State sources	3,656,798	0	3,656,798
Federal sources	264,448	0	264,448
Total revenues	<u>6,726,019</u>	<u>1,093,667</u>	<u>7,819,686</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	3,154,547	110,418	3,264,965
Special	963,902	0	963,902
Other	804,379	252,265	1,056,644
	<u>4,922,828</u>	<u>362,683</u>	<u>5,285,511</u>
Support services:			
Student	142,101	0	142,101
Instructional staff	39,464	0	39,464
Administration	684,926	35,777	720,703
Operation and maintenance of plant	529,833	43,516	573,349
Transportation	309,606	54,740	364,346
	<u>1,705,930</u>	<u>134,033</u>	<u>1,839,963</u>
Other expenditures:			
Facilities acquisitions	0	414,510	414,510
Long-term debt:			
Principal	0	470,000	470,000
Interest	0	25,241	25,241
AEA flowthrough	265,962	0	265,962
	<u>265,962</u>	<u>909,751</u>	<u>1,175,713</u>
Total expenditures	<u>6,894,720</u>	<u>1,406,467</u>	<u>8,301,187</u>
Deficiency of revenues under expenditures	(168,701)	(312,800)	(481,501)
Other financing sources(uses):			
Sale of equipment	1,640	0	1,640
Sale of real property	0	2,940	2,940
Transfers in	2,346	235,000	237,346
Transfers out	0	(237,346)	(237,346)
Total other financing sources(uses)	<u>3,986</u>	<u>594</u>	<u>4,580</u>
Net change in fund balances	(164,715)	(312,206)	(476,921)
Fund balance beginning of year	(265,397)	842,775	577,378
Fund balance end of year	<u>\$ (430,112)</u>	<u>530,569</u>	<u>100,457</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

STARMONT 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) \$ (476,921)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 104,199	
Depreciation expense	<u>(137,939)</u>	(33,740)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 470,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,127

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

Early retirement	\$ (61,555)	
Compensated absences	<u>5,155</u>	<u>(56,400)</u>

Changes in net assets of governmental activities (page 15) \$ (95,934)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 9,904	(1,150)	8,754
Receivables:			
Accounts	1,579	128	1,707
Inventories	6,645	0	6,645
Total current assets	<u>18,128</u>	<u>(1,022)</u>	<u>17,106</u>
Non-current assets:			
Capital assets, net of accumulated depreciation	13,065	0	13,065
Total non-current assets	<u>13,065</u>	<u>0</u>	<u>13,065</u>
Total assets	<u>31,193</u>	<u>(1,022)</u>	<u>30,171</u>
Liabilities			
Current liabilities:			
Accounts payable	655	0	655
Salaries and benefits payable	23,499	0	23,499
Unearned revenue	4,997	0	4,997
Total current liabilities	<u>29,151</u>	<u>0</u>	<u>29,151</u>
Long-term liabilities:			
Compensated absences	2,708	0	2,708
Total long-term liabilities	<u>2,708</u>	<u>0</u>	<u>2,708</u>
Total liabilities	<u>31,859</u>	<u>0</u>	<u>31,859</u>
Net Assets			
Invested in capital assets	13,065	0	13,065
Unrestricted	(13,731)	(1,022)	(14,753)
Total net assets	<u>\$ (666)</u>	<u>(1,022)</u>	<u>(1,688)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 170,043	11,353	181,396
Miscellaneous	3,209	0	3,209
TOTAL OPERATING REVENUES	<u>173,252</u>	<u>11,353</u>	<u>184,605</u>
OPERATING EXPENSES:			
Instructional programs:			
Regular instruction:			
Salaries	0	10,913	10,913
Benefits	0	1,528	1,528
Supplies	0	68	68
Total instructional programs	<u>0</u>	<u>12,509</u>	<u>12,509</u>
Support services:			
Operation and maintenance of plant services:			
Services	5,818	0	5,818
Non-instructional programs:			
Food service operations:			
Salaries	130,091	0	130,091
Benefits	16,476	0	16,476
Supplies	229,422	0	229,422
Other	256	0	256
Depreciation	3,540	0	3,540
Total non-instructional programs	<u>379,785</u>	<u>0</u>	<u>379,785</u>
TOTAL OPERATING EXPENSES	<u>385,603</u>	<u>12,509</u>	<u>398,112</u>
OPERATING LOSS	<u>(212,351)</u>	<u>(1,156)</u>	<u>(213,507)</u>
NON-OPERATING REVENUES:			
State sources	4,177	0	4,177
Federal sources	161,874	0	161,874
Interest on investments	233	0	233
TOTAL NON-OPERATING REVENUES	<u>166,284</u>	<u>0</u>	<u>166,284</u>
Change in net assets	(46,067)	(1,156)	(47,223)
Net assets beginning of year	<u>45,401</u>	<u>134</u>	<u>45,535</u>
Net assets end of year	<u>\$ (666)</u>	<u>(1,022)</u>	<u>(1,688)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 170,516	0	170,516
Cash received from miscellaneous	3,209	11,359	14,568
Cash payments to employees for services	(120,360)	(12,441)	(132,801)
Cash payments to suppliers for goods or services	(228,508)	(68)	(228,576)
Net cash used in operating activities	(175,143)	(1,150)	(176,293)
Cash flows from non-capital financing activities:			
State grants received	4,177	0	4,177
Federal grants received	139,809	0	139,809
Net cash provided by non-capital financing activities	143,986	0	143,986
Cash flows from investing activities:			
Interest on investments	233	0	233
Net decrease in cash and cash equivalents	(30,924)	(1,150)	(32,074)
Cash and cash equivalents at beginning of year	40,828	0	40,828
Cash and cash equivalents at end of year	\$ 9,904	(1,150)	8,754
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (212,351)	(1,156)	(213,507)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	22,271	0	22,271
Depreciation	3,540	0	3,540
Decrease in inventories	2,608	0	2,608
(Increase)Decrease in accounts receivable	(336)	6	(330)
Decrease in accounts payable	(17,891)	0	(17,891)
Increase in salaries and benefits payable	26,207	0	26,207
Increase in unearned revenue	809	0	809
Net cash used in operating activities	\$ (175,143)	(1,150)	(176,293)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received
Federal commodities valued at \$22,271.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

STARMONT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2009

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 76,517
Accounts receivable	124
Total assets	<u>76,641</u>
Liabilities	
	<u>0</u>
Net Assets	
Reserved for scholarships	<u>\$ 76,641</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Contributions	\$ 4,150
Deductions:	
Non-instructional programs:	
Scholarships awarded	3,295
Change in net assets	855
Net assets beginning of year	75,786
Net assets end of year	\$ 76,641

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

STAR MONT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

The Starmont 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 cities of Arlington, Strawberry Point and Lamont, Iowa, and the predominate agricultural territory in Buchanan, Fayette, Delaware and Clayton 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, Starmont 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 Starmont 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 Buchanan, Fayette, Delaware and Clayton Counties 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 asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Day Care Fund. The Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care operations of the District.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's

principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

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

Capital assets are depreciated using the straight line method 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 are payable in July and August, have been accrued as liabilities.

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

Compensated Absences - District employees accumulate a limited amount or earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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. During the year ended June 30, 2009, disbursements in the instruction, non-instructional and other expenditures functions exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

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

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

The District had no investments at June 20, 2009.

(3) **Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 235,000
General	Special Revenue: Management	<u>2,346</u>
Total		<u>\$ 237,346</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

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

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

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Accrued Warrants Payable</u>	<u>Accrued Interest Payable</u>
2008-09B	1/21/2009	1/21/2010	\$ 577,308	4,728	570,000	7,496
2009-10A	6/25/2009	6/23/2010	1,091,005	135	1,074,000	368
Total			<u>\$ 1,668,313</u>	<u>4,863</u>	<u>1,644,000</u>	<u>7,864</u>

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

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	550,000	550,000	0
2008-09B	0	275,000	275,000	0
Total	\$ 0	825,000	825,000	0

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%

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 26,300	0	0	26,300
Construction in progress	84,400	10,500	94,900	0
Total capital assets not being depreciated	110,700	10,500	94,900	26,300
Capital assets being depreciated:				
Buildings	7,557,901	74,313	0	7,632,214
Land improvements	169,418	94,900	0	264,318
Machinery and equipment	1,200,838	133,360	113,974	1,220,224
Total capital assets being depreciated	8,928,157	302,573	113,974	9,116,756
Less accumulated depreciation for:				
Buildings	3,060,073	152,644	0	3,212,717
Land improvements	88,942	9,216	0	98,158
Machinery and equipment	994,312	90,053	113,974	970,391
Total accumulated depreciation	4,143,327	251,913	113,974	4,281,266
Total capital assets being depreciated, net	4,784,830	50,660	0	4,835,490
Governmental activities capital assets, net	\$ 4,895,530	61,160	94,900	4,861,790
Business type activities:				
Machinery and equipment	\$ 124,845	0	0	124,845
Less accumulated depreciation	108,240	3,540	0	111,780
Business type activities capital assets, net	\$ 16,605	(3,540)	0	13,065

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 13,603
Other		1,499
Support services:		
Operation and maintenance of plant		13,143
Transportation		61,808
		<u>90,053</u>
Unallocated depreciation		<u>161,860</u>
		<u>\$ 251,913</u>
Business type activities:		
Food service operations		<u>\$ 3,540</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 950,000	0	470,000	480,000	480,000
Compensated absences	22,550	17,395	22,550	17,395	17,395
Early retirement	228,780	171,601	110,046	290,335	127,320
Total	<u>\$ 1,201,330</u>	<u>188,996</u>	<u>602,596</u>	<u>787,730</u>	<u>624,715</u>
Business type activities:					
Compensated absences	\$ 0	2,708	0	2,708	2,708

General Obligation Bonds Payable

Details of the Districts June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue dated March 1, 2003			
	Interest Rates	Principal	Interest	Total
2010	3.25	\$ 480,000	20,665	500,665

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentive for each employee is equal to a

percentage of years eligible times the employees salary received by the retiree equal to 70 days pay. Early retirement benefits paid during the year ended June 30, 2009, totaled \$110,046.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$257,335, \$252,137 and \$229,220 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

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.

(9) Risk Management

Starmont Community School District is a member in the Northeast Iowa Schools Insurance Trust, and Iowa Code Chapter 28E organization. The Northeast Iowa Schools Insurance Trust (NEIST) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. NEIST was formed in July 1999 for the purpose of managing and funding employee benefits. NEIST provides coverage and protection in the following categories: medical, dental, LTD, and life insurance.

Each member's contributions to NEIST funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP basis, NEIST's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

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 NEIST for the year ended June 30, 2009 was \$714,973.

Payments from participating members are the sole source for paying claims and establishing reserves for the NEIST self-funded

programs. Stop loss insurance is purchased by NEIST to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the District's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage.

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

Starmont 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.

(10) 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 \$265,962 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.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the instruction, non-instructional and other expenditures functions exceeded the amounts budgeted.

(12) Deficit Fund Balance/Unrestricted Net Assets

As of June 30, 2009, the District had a deficit unreserved fund balance in the General Fund of \$501,024. The District had deficit net assets in the Nutrition Fund of \$666 and in the Day Care Fund of \$1,022. The District also had a deficit unrestricted net assets balance in the governmental activities of \$714,692.

(13) 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>
Educational Excellence Program - Phase I	\$ 19,566
Professional Development	18,221
Market Factor	4,118
Additional Teacher Contract Day	800
Salary Improvement Program	3,122
Market Factor Incentives	5,525
Statewide Voluntary Preschool Program Grants	9,648
Four-year-old Preschool State Aid	9,912
	<hr/>
Total	\$ 70,912
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REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,855,989	184,838	4,040,827	4,039,129	4,039,129	1,698
Intermediate sources	42,451	0	42,451	100,600	100,600	(58,149)
State sources	3,656,798	4,177	3,660,975	3,679,151	3,679,151	(18,176)
Federal sources	264,448	161,874	426,322	305,600	305,600	120,722
Total revenues	<u>7,819,686</u>	<u>350,889</u>	<u>8,170,575</u>	<u>8,124,480</u>	<u>8,124,480</u>	<u>46,095</u>
Expenditures/Expenses:						
Instruction	5,285,511	12,509	5,298,020	4,483,565	4,628,165	(669,855)
Support services	1,839,963	5,818	1,845,781	2,540,420	2,770,420	924,639
Non-instructional programs	0	379,785	379,785	355,000	355,000	(24,785)
Other expenditures	1,175,713	0	1,175,713	766,398	766,398	(409,315)
Total expenditures/expenses	<u>8,301,187</u>	<u>398,112</u>	<u>8,699,299</u>	<u>8,145,383</u>	<u>8,519,983</u>	<u>(179,316)</u>
Deficiency of revenues under expenditures/expenses	(481,501)	(47,223)	(528,724)	(20,903)	(395,503)	(133,221)
Other financing sources, net	4,580	0	4,580	85,000	85,000	80,420
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(476,921)	(47,223)	(524,144)	64,097	(310,503)	213,641
Balance beginning of year	<u>577,378</u>	<u>45,535</u>	<u>622,913</u>	<u>1,359,176</u>	<u>1,359,176</u>	<u>(736,263)</u>
Balance end of year	<u>\$ 100,457</u>	<u>(1,688)</u>	<u>98,769</u>	<u>1,423,273</u>	<u>1,048,673</u>	<u>(949,904)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STARMONT 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. 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 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 \$374,600.

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

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Capital Projects	Debt Service	
Assets								
Cash and pooled investments	\$ 93,294	5,338	46,448	25,840	170,920	187,717	104,272	462,909
Receivables:								
Property tax:								
Current year delinquent	0	0	1,264	0	1,264	0	5,459	6,723
Succeeding year	215,000	0	63,100	0	278,100	0	392,329	670,429
Accounts	2,092	4,108	0	0	6,200	0	0	6,200
Due from other governments	0	0	25,000	0	25,000	91,278	0	116,278
Total assets	\$ 310,386	9,446	135,812	25,840	481,484	278,995	502,060	1,262,539
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 372	6,447	0	0	6,819	29,722	0	36,541
Deferred revenue:								
Succeeding year property tax	215,000	0	63,100	0	278,100	0	392,329	670,429
Other	0	0	25,000	0	25,000	0	0	25,000
Total liabilities	215,372	6,447	88,100	0	309,919	29,722	392,329	731,970
Fund balances:								
Reserved for:								
Debt service	0	0	0	0	0	0	109,731	109,731
Unreserved	95,014	2,999	47,712	25,840	171,565	249,273	0	420,838
Total fund balances	95,014	2,999	47,712	25,840	171,565	249,273	109,731	530,569
Total liabilities and fund balances	\$ 310,386	9,446	135,812	25,840	481,484	278,995	502,060	1,262,539

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Manage- ment Levy	Physical			Total Special Revenue	Capital Projects	Debt Service	
		Student Activity	Equipment Levy	Expendable Trust				
REVENUES:								
Local sources:								
Local tax	\$ 100,054	0	60,424	0	160,478	399,526	260,982	820,986
Other	16,508	242,629	1,913	871	261,921	8,740	2,020	272,681
TOTAL REVENUES	116,562	242,629	62,337	871	422,399	408,266	263,002	1,093,667
EXPENDITURES:								
Current:								
Instruction:								
Regular	110,418	0	0	0	110,418	0	0	110,418
Other	0	251,985	0	280	252,265	0	0	252,265
Support services:								
Administration	35,777	0	0	0	35,777	0	0	35,777
Operation and maintenance of plant	43,516	0	0	0	43,516	0	0	43,516
Transportation	9,340	0	45,400	0	54,740	0	0	54,740
Other expenditures:								
Facilities acquisitions	0	0	81,345	0	81,345	333,165	0	414,510
Long-term debt:								
Principal	0	0	0	0	0	0	470,000	470,000
Interest	0	0	0	0	0	0	25,241	25,241
TOTAL EXPENDITURES	199,051	251,985	126,745	280	578,061	333,165	495,241	1,406,467
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(82,489)	(9,356)	(64,408)	591	(155,662)	75,101	(232,239)	(312,800)
OTHER FINANCING SOURCES:								
Sale of real property	0	0	2,940	0	2,940	0	0	2,940
Transfers in	0	0	0	0	0	0	235,000	235,000
Transfers out	(2,346)	0	0	0	(2,346)	(235,000)	0	(237,346)
TOTAL OTHER FINANCING SOURCES (USES)	(2,346)	0	2,940	0	594	(235,000)	235,000	594
NET CHANGE IN FUND BALANCES	(84,835)	(9,356)	(61,468)	591	(155,068)	(159,899)	2,761	(312,206)
FUND BALANCE BEGINNING OF YEAR	179,849	12,355	109,180	25,249	326,633	409,172	106,970	842,775
FUND BALANCE END OF YEAR	\$ 95,014	2,999	47,712	25,840	171,565	249,273	109,731	530,569

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STARMONT 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
Athletics	\$ (41,569)	81,042	88,876	(49,403)
Clubs/Organizations	(598)	52,506	60,858	(8,950)
General Activity	13,428	37,818	37,520	13,726
Classes	5,838	7,434	12,019	1,253
Elementary	21,456	6,763	7,441	20,778
Middle School	13,800	57,066	45,271	25,595
Total	\$ 12,355	242,629	251,985	2,999

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STARMONT 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	\$ 3,154,146	3,116,869	3,123,692	3,237,183	3,223,515	3,112,323
Tuition	310,458	336,016	304,705	264,920	267,575	281,318
Other	391,385	305,896	388,894	330,419	305,444	305,555
Intermediate sources	42,451	20,482	16,217	30,836	33,208	81,332
State sources	3,656,798	3,595,897	3,249,708	3,320,090	3,304,236	3,318,245
Federal sources	264,448	211,370	286,433	450,135	412,781	624,760
Total	<u>\$ 7,819,686</u>	<u>7,586,530</u>	<u>7,369,649</u>	<u>7,633,583</u>	<u>7,546,759</u>	<u>7,723,533</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 3,264,965	3,320,934	3,210,255	3,042,684	2,848,767	2,929,285
Special	963,902	947,664	958,126	877,718	846,947	1,092,102
Other	1,056,644	967,278	897,360	868,440	864,244	731,187
Support services:						
Student	142,101	176,021	166,603	157,106	167,889	140,093
Instructional staff	39,464	53,547	68,584	104,580	102,330	98,399
Administration	720,703	852,861	988,136	731,733	716,653	623,621
Operation and maintenance of plant	573,349	543,131	550,559	572,437	839,606	513,752
Transportation	364,346	318,043	411,636	339,875	25,189	363,704
Other expenditures:						
Facilities acquisitions	414,510	254,409	312,778	475,096	150,406	29,386
Long-term debt:						
Principal	470,000	450,000	440,000	430,000	425,000	400,000
Interest	25,241	37,130	47,918	57,080	65,945	93,401
AEA flow-through	265,962	261,316	255,118	248,778	247,899	252,357
Total	<u>\$ 8,301,187</u>	<u>8,182,334</u>	<u>8,307,073</u>	<u>7,905,527</u>	<u>7,300,875</u>	<u>7,267,287</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the
Starmont 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 Starmont Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Starmont 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 Starmont Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Starmont 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 Starmont 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 Starmont Community School District's financial statements that is more than inconsequential will not be prevented or detected by Starmont 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 Starmont 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 Starmont 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.

Starmont 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 Starmont 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 Starmont Community School District and other parties to whom Starmont 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 Starmont 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.

March 16, 2010

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

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

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

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

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

Conclusion - Response accepted.

I-B-09 Grants - We noted during our audit that grant revenues and expenditures were not always properly coded to the correct project.

Recommendation - The District should review the coding of receipts and bills, to ensure that all revenues and expenditures associated with a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District is making a conscious effort to get the correct project posted to the specific grants.

Conclusion - Response accepted.

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

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of

the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

We noted Box Tops for Education donations receipted into the Elementary General Activity Account. These are undesignated donations and would be more appropriate in the General Fund.

We noted the District has a Book Orders/Book Fair Account in the Student Activity Fund. This account would appear more instructional in nature and therefore more appropriate to the General Fund.

Response - The District will make a conscious effort to record these revenues and expenses in the proper funds.

Conclusion - Response accepted.

- I-D-09 Payroll Procedures - We noted during our audit that the District appears to have paid two employees incorrectly. It would appear that Mara Schack received the Assistant High School Musical portion of her contract twice resulting in overpayment of \$786. Janet Becker apparently did not receive the extended contract portion of her employment agreement resulting in underpayment of \$1,964.

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

Recommendation - The District should review these contracts and payroll disbursements for the year ended June 30, 2009 and require corrections as needed.

To comply with the Department of Labor wage per hour requirements, the District should keep track of the hours worked for non-certified staff coaches.

Response - The District has reviewed these contracts and resolved any discrepancies. The District now has on file hours worked for the extra-curricular coaches.

Conclusion - Response accepted.

- I-E-09 Field Trips - We noted during our audit that the District charged for Elementary field trips. As entire classes attended, it would appear that the trips were instructional in nature. Based on a Department of Education Declaratory ruling it would be inappropriate to charge individuals to participate in an instructional field trip.

Recommendation - The District should evaluate what is allowable when it comes to planning field trips. Issues concerning the nature of the trip and required attendance should be considered when determining if fees may be charged. The District could use fundraising to subsidize such school field trips in the future. The District should not charge students to attend instructional field trips.

Response - The District will make a conscious effort to evaluate each field trip taken and to use the appropriate funding for such field trips.

Conclusion - Response accepted.

- I-F-09 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process. However, we noted that 4 of the 19 Activity Fund disbursements we tested lacked purchase orders.

Recommendation - The advantage of using a purchase order system is that the approvals of the items being purchases are noted prior to the ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring the actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before the ordering takes place.

Response - The District has discussed the use of purchase orders with the Activities Director and the District will make a conscious effort to have purchase orders filled out and approved before ordering takes place.

Conclusion - Response accepted.

STAR MONT 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 expenditures for the year ended June 30, 2009, exceeded the certified budget amounts in the instruction, non-instructional programs and other expenditures functions.
- Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - The District will monitor the budget more closely and amend the budget when necessary.
- Conclusion - Response accepted.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 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.
- 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 categorical funding being used to supplant rather than supplement other funding.
- 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.3 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			399,526
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	155,476	
Equipment		9,050	
Debt service for school infrastructure:			
General obligation debt		235,000	399,526
Ending balance		\$	<u>0</u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.22899	\$ 235,000

II-L-09 Financial Condition - The District has a deficit unreserved fund balance of \$501,024 in the General Fund. The district has deficit net assets in the proprietary accounts totaling \$1,688, negative \$666 in the Nutrition Fund and negative \$1,022 in the Day Care Fund. The District also has negative accounts within the Special Revenue, Student Activity Fund. The District also had a deficit unrestricted net assets balance in the governmental activities of \$714,692.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District will monitor this more closely and we are making changes in 2010 and 2011 to get this corrected.

Conclusion - Response accepted.

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

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

Response - The District has sent out the forms to employees who desire to have their paychecks mailed, awaiting the return of all forms. These forms will be put in a file folder.

Conclusion - Response accepted.

II-N-09 Officiating Contracts - We noted during our audit that the Board President was not 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 District is making a conscious effort to have all officiating contracts signed by the Board President.

Conclusion - Response accepted.

II-O-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - The District did submit a check that was outstanding to the State Treasurer as unclaimed property but have not completely resolved this issue.

Conclusion - Response accepted.