

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

JUNE 30, 2010

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Creston Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Robert Deranleau	President	2009
Stacy Wood	Vice President	2009
Chad Briley	Board Member	2011
Brian Strider	Board Member	2011
Randy Hughes	Board Member	2009
Board of Education (After September 2009 Election)		
Rich Flynn	President	2013
Chad Briley	Vice President	2011
Kevin Scadden	Board Member	2013
Brian Strider	Board Member	2011
Randy Hughes	Board Member	2013
School Officials		
Tim Hood	Superintendent	2010
Donald M. Krings	Board Secretary/ Business Manager	2010
Pat Moeller	District Treasurer	2010
Gruhn Law Firm	Attorney	2010

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Creston Community School District, Creston, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Creston Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2011 on our consideration of Creston Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 14 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Creston Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Creston Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$13,615,829 in fiscal 2009 to \$13,482,933 in fiscal 2010, while General Fund expenditures decreased from \$13,539,321 in fiscal 2009 to \$13,460,682 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$1,565,374 in fiscal 2009 to a balance of \$1,587,625 in fiscal 2010, a 1.42% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in the funding received from the state due to the 10% across the board budget cut. The decrease in expenditures can be attributed to the decrease in expenditures in the instructional function.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 9.6% for fiscal year 2009 to 8.8% for fiscal year 2010. The State School Budget Review Committee recommends a solvency ratio between 5% and 10%.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

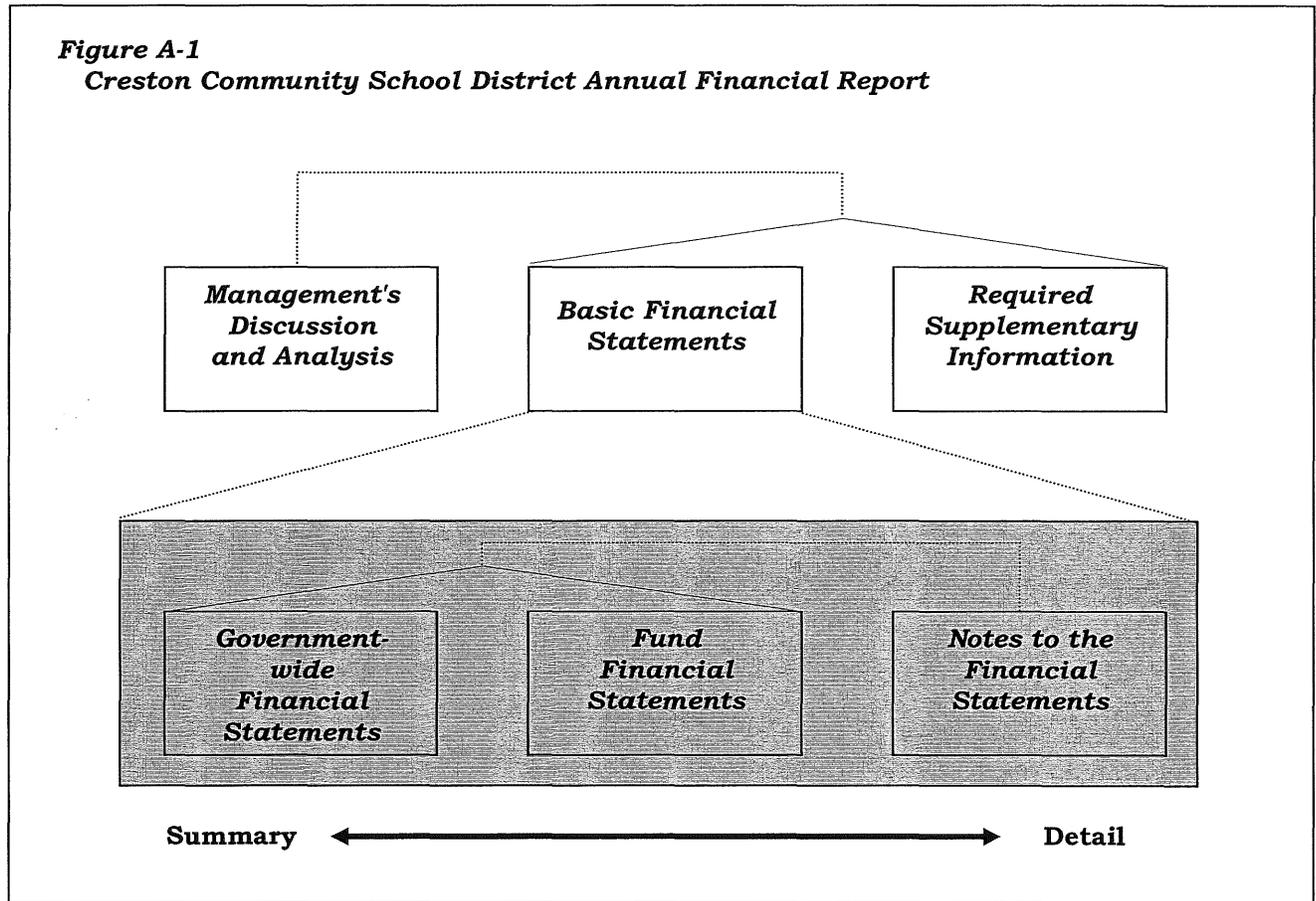


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 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, Special Revenue Funds, Debt Service and Capital Projects Fund.

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 10,099,718	9,546,108	260,399	200,592	10,360,117	9,746,700	6.29%
Capital assets	20,457,308	20,976,948	209,711	238,988	20,667,019	21,215,936	-2.59%
Total assets	30,557,026	30,523,056	470,110	439,580	31,027,136	30,962,636	0.21%
Long-term obligations	11,305,282	11,753,071	1,518	929	11,306,800	11,754,000	-3.80%
Other liabilities	6,523,989	6,083,082	54,541	51,100	6,578,530	6,134,182	7.24%
Total liabilities	17,829,271	17,836,153	56,059	52,029	17,885,330	17,888,182	-0.02%
Net assets:							
Invested in capital assets, net of related debt	9,627,308	9,421,948	209,711	238,988	9,837,019	9,660,936	1.82%
Restricted	2,036,834	2,058,497	0	0	2,036,834	2,058,497	-1.05%
Unrestricted	1,063,613	1,206,458	204,340	148,563	1,267,953	1,355,021	-6.43%
Total net assets	\$ 12,727,755	12,686,903	414,051	387,551	13,141,806	13,074,454	0.52%

The District's combined net assets increased by 0.52% or approximately \$67,352 over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other 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 \$21,663 or 1.05% over the prior year. The decrease in restricted fund balance is mainly attributable to the decrease in fund balance of the Capital Projects Fund and the Physical Plant and Equipment Levy Fund.

Unrestricted net assets- the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirements-decreased \$87,068 or 6.43%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 1,027,153	854,421	290,023	300,248	1,317,176	1,154,669	14.07%
Operating grants and contributions and restricted interest	3,749,658	3,122,238	428,427	387,835	4,178,085	3,510,073	19.03%
Capital grants and contributions and restricted interest	337,550	7,844	0	0	337,550	7,844	4203.29%
General revenues:							
Local tax	4,697,090	4,586,221	0	0	4,697,090	4,586,221	2.42%
Statewide sales, services and use tax	1,184,831	1,106,425	0	0	1,184,831	1,106,425	7.09%
Unrestricted state grants	5,312,259	6,154,640	0	0	5,312,259	6,154,640	-13.69%
Other	198,303	362,788	23,674	21,033	221,977	383,821	-42.17%
Total revenues	16,506,844	16,194,577	742,124	709,116	17,248,968	16,903,693	2.04%
Program expenses:							
Governmental activities:							
Instructional	9,625,765	9,487,142	871	0	9,626,636	9,487,142	1.47%
Support services	4,102,488	4,047,873	94,970	95,477	4,197,458	4,143,350	1.31%
Non-instructional programs	0	0	619,783	596,075	619,783	596,075	3.98%
Other expenses	2,737,739	1,653,305	0	0	2,737,739	1,653,305	65.59%
Total expenses	16,465,992	15,188,320	715,624	691,552	17,181,616	15,879,872	8.20%
Change in net assets	40,852	1,006,257	26,500	17,564	67,352	1,023,821	-93.42%
Net assets beginning of year	12,686,903	11,680,646	387,551	369,987	13,074,454	12,050,633	8.50%
Net assets end of year	\$ 12,727,755	12,686,903	414,051	387,551	13,141,806	13,074,454	0.52%

Local tax and unrestricted state grants account for 60.64% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 96.81% of the revenue from business type activities.

The District's total revenues were approximately \$17.25 million of which approximately \$16.51 million was for governmental activities and approximately \$0.74 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.04% increase in revenues and an 8.20% increase in expenses. Local tax increased \$110,869 and statewide sales, services and use tax increased \$78,406 to fund expenditures. The increase in expenses related to increases in expenditures funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$16,506,844 and expenses were \$16,465,992.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 9,625,765	9,487,142	1.44%	5,513,748	6,029,515	-9.35%
Support services	4,102,488	4,047,873	1.33%	3,954,519	4,037,540	-2.10%
Other expenses	2,737,739	1,653,305	39.61%	1,883,364	1,136,762	39.64%
Totals	<u>\$ 16,465,992</u>	<u>15,188,320</u>	<u>7.76%</u>	<u>11,351,631</u>	<u>11,203,817</u>	<u>1.30%</u>

- The cost financed by users of the District's programs was \$1,027,153.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,087,208.
- The net cost of governmental activities was financed with \$4,697,090 in local tax, \$1,184,831 in statewide sales, services and use tax, \$5,312,259 in unrestricted state grants, and \$7,521 in interest income and \$190,782 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$742,124 and expenses were \$715,624. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,533,042, above last year's ending fund balances of a \$3,459,545. The main reason for the increase in combined fund balances can be attributed to the increase in fund balance for the Management Levy Fund and the Debt Service Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. A decline in the amount of funding from the state during the year led to the decrease in fund revenues. The decrease in expenditures can be attributed to the decrease in expenditures in the instructional function. Revenues decreased \$132,896 and expenditures decreased \$78,639 as compared to the previous year.
- The Capital Projects fund balance decreased during the current year, from \$1,098,448 to \$1,068,712. The decrease in fund balance can be attributed to the completion of the roof project and other minor projects in the District.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$387,551 at June 30, 2009 to \$414,051 at June 30, 2010, representing an increase of 6.84%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$859,236 less than budgeted revenues, a variance of 4.75%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$20,667,019, 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 2.59% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$713,679.

The original cost of the District's capital assets was \$30,161,396. Governmental funds account for \$29,601,575 with \$559,821 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$698,838 at June 30, 2009, compared to \$660,120 reported at June 30, 2010. This decrease can be attributed to depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 155,965	155,965	0	0	155,965	155,965	0.00%
Buildings	19,303,036	19,811,324	0	0	19,303,036	19,811,324	-2.57%
Land improvements	660,120	698,838	0	0	660,120	698,838	-5.54%
Machinery and equipment	338,187	310,821	209,711	238,988	547,898	549,809	-0.35%
Total	\$ 20,457,308	20,976,948	209,711	238,988	20,667,019	21,215,936	-2.59%

Long-Term Debt

At June 30, 2010, the District had long-term debt outstanding of \$11,306,800 in general obligation bonds, capital loan notes and other long-term debt. This represents a decrease of approximately 3.80% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$10,020,000 at June 30, 2010.

The District had total outstanding capital loan notes payable of \$810,000 at June 30, 2010.

The District also had total outstanding early retirement payable of \$331,365 at June 30, 2010.

During the previous year, the District implemented GASB 45 (other postemployment benefits). The liability associated with the implementation is \$145,435.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 10,020,000	10,600,000	0	0	10,020,000	10,600,000	-5.47%
Capital loan notes	810,000	955,000	0	0	810,000	955,000	-15.18%
Early retirement	331,365	110,000	0	0	331,365	110,000	201.24%
Net OPEB liability	143,917	88,071	1,518	929	145,435	89,000	100.00%
Total	\$ 11,305,282	11,753,071	1,518	929	11,306,800	11,754,000	-3.80%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2010 IPERS implemented an employers' contribution increase to 6.95%. This will increase the Creston Community Schools employer benefit costs over the next four years.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

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 Roy Stroud, District Business Manager, Creston Community School District, 801 N Elm, Creston, Iowa, 50801.

BASIC FINANCIAL STATEMENTS

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 4,240,276	233,386	4,473,662
Receivables:			
Property tax:			
Delinquent	59,595	0	59,595
Succeeding year	4,778,767	0	4,778,767
Income surtax	116,433	0	116,433
Accounts	9,608	0	9,608
Due from other governments	895,039	4,136	899,175
Inventories	0	22,877	22,877
Capital assets, net of accumulated depreciation	20,457,308	209,711	20,667,019
Total Assets	30,557,026	470,110	31,027,136
Liabilities			
Accounts payable	\$ 281,583	0	281,583
Salaries and benefits payable	1,194,831	47,404	1,242,235
Interest payable	84,124	0	84,124
Deferred revenue:			
Succeeding year property tax	4,778,767	0	4,778,767
Other	184,684	0	184,684
Unearned revenue	0	7,137	7,137
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	610,000	0	610,000
Capital loan notes	150,000	0	150,000
Early retirement	200,683	0	200,683
Portion due after one year:			
General obligation bonds	9,410,000	0	9,410,000
Capital loan notes	660,000	0	660,000
Early retirement	130,682	0	130,682
Net OPEB liability	143,917	1,518	145,435
Total Liabilities	17,829,271	56,059	17,885,330
Net Assets			
Invested in capital assets, net of related debt	9,627,308	209,711	9,837,019
Restricted for:			
Debt service	108,099	0	108,099
Categorical funding	300,772	0	300,772
Physical plant and equipment levy	437,099	0	437,099
Capital projects	1,068,712	0	1,068,712
Other special revenue purposes	122,152	0	122,152
Unrestricted	1,063,613	204,340	1,267,953
Total Net Assets	\$ 12,727,755	414,051	13,141,806

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Operating Grants,	Capital Grants,	Govern- mental Activities	Business Type Activities	Total
		for Services	and Restricted Interest	and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,162,015	498,370	2,100,071	0	(3,563,574)	0	(3,563,574)
Special	1,864,136	248,379	497,337	0	(1,118,420)	0	(1,118,420)
Other	1,599,614	280,404	487,456	0	(831,754)	0	(831,754)
	9,625,765	1,027,153	3,084,864	0	(5,513,748)	0	(5,513,748)
Support services:							
Student	357,829	0	5,107	0	(352,722)	0	(352,722)
Instructional staff	375,328	0	42,609	0	(332,719)	0	(332,719)
Administration	1,544,234	0	0	0	(1,544,234)	0	(1,544,234)
Operation and maintenance of plant	1,274,604	0	0	46,148	(1,228,456)	0	(1,228,456)
Transportation	550,493	0	54,105	0	(496,388)	0	(496,388)
	4,102,488	0	101,821	46,148	(3,954,519)	0	(3,954,519)
Other expenditures:							
Facilities acquisitions	1,101,682	0	0	291,402	(810,280)	0	(810,280)
Long-term debt interest	519,992	0	0	0	(519,992)	0	(519,992)
AEA flowthrough	562,973	0	562,973	0	0	0	0
Depreciation(unallocated)*	553,092	0	0	0	(553,092)	0	(553,092)
	2,737,739	0	562,973	291,402	(1,883,364)	0	(1,883,364)
Total governmental activities	16,465,992	1,027,153	3,749,658	337,550	(11,351,631)	0	(11,351,631)
Business Type activities:							
Instruction:							
Regular instruction	871	0	0	0	0	(871)	(871)
Support services:							
Administration	86,306	0	0	0	0	(86,306)	(86,306)
Operation and maintenance of plant	8,664	0	0	0	0	(8,664)	(8,664)
Total instruction & support services	94,970	0	0	0	0	(94,970)	(94,970)
Non-instructional programs:							
Nutrition services	619,783	290,023	428,427	0	0	98,667	98,667
Total business type activities	715,624	290,023	428,427	0	0	2,826	2,826
Total	\$ 17,181,616	1,317,176	4,178,085	337,550	(11,351,631)	2,826	(11,348,805)
General Revenues:							
Property tax levied for:							
General purposes					\$ 3,762,538	0	3,762,538
Debt service					613,835	0	613,835
Capital outlay					196,257	0	196,257
Income surtax					124,460	0	124,460
Statewide sales, services and use tax					1,184,831	0	1,184,831
Unrestricted state grants					5,312,259	0	5,312,259
Unrestricted investment earnings					7,521	21,519	29,040
Other					190,782	2,155	192,937
Total general revenues					11,392,483	23,674	11,416,157
Changes in net assets					40,852	26,500	67,352
Net assets beginning of year					12,686,903	387,551	13,074,454
Net assets end of year					\$ 12,727,755	414,051	13,141,806

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

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 2,587,762	775,747	866,389	4,229,898
Receivables:				
Property tax:				
Delinquent	47,239	0	12,356	59,595
Succeeding year	3,699,009	0	1,079,758	4,778,767
Income surtax	0	0	116,433	116,433
Accounts	9,608	0	0	9,608
Due from other governments	407,038	488,001	0	895,039
Total Assets	\$ 6,750,656	1,263,748	2,074,936	10,089,340
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 84,507	195,036	2,040	281,583
Salaries and benefits payable	1,194,831	0	0	1,194,831
Deferred revenue:				
Succeeding year property tax	3,699,009	0	1,079,758	4,778,767
Income surtax	0	0	116,433	116,433
Other	184,684	0	0	184,684
Total liabilities	5,163,031	195,036	1,198,231	6,556,298
Fund balances:				
Reserved for:				
Debt service	0	0	108,099	108,099
Categorical funding	300,772	0	0	300,772
Unreserved:				
Designated for special purpose	99,031	0	0	99,031
Undesignated	1,187,822	1,068,712	768,606	3,025,140
Total fund balances	1,587,625	1,068,712	876,705	3,533,042
Total Liabilities and Fund Balances	\$ 6,750,656	1,263,748	2,074,936	10,089,340

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 18)	\$	3,533,042
 <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.		20,457,308
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(84,124)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		116,433
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		10,378
Long-term liabilities, including bonds payable, capital loan notes payable, early retirement and other postemployment benefits are not due and payable in the current period and, are not reported as liabilities in the governmental funds.		<u>(11,305,282)</u>
Net assets of governmental activities (page 16)	\$	<u><u>12,727,755</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,588,055	1,184,831	1,100,957	5,873,843
Tuition	685,794	0	0	685,794
Other	283,225	1,706	436,300	721,231
State sources	7,243,537	0	637	7,244,174
Federal sources	1,681,697	291,402	0	1,973,099
Total revenues	<u>13,482,308</u>	<u>1,477,939</u>	<u>1,537,894</u>	<u>16,498,141</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,939,181	0	60,000	5,999,181
Special	1,855,851	0	0	1,855,851
Other	1,106,773	0	434,697	1,541,470
	<u>8,901,805</u>	<u>0</u>	<u>494,697</u>	<u>9,396,502</u>
Support services:				
Student	355,840	0	0	355,840
Instructional	377,365	0	5,000	382,365
Administration	1,508,351	2,500	0	1,510,851
Operation and maintenance of plant	1,195,642	0	88,880	1,284,522
Transportation services	558,706	0	0	558,706
	<u>3,995,904</u>	<u>2,500</u>	<u>93,880</u>	<u>4,092,284</u>
Other expenditures:				
Facilities acquisitions	0	940,130	167,638	1,107,768
Long-term debt:				
Principal	0	0	725,000	725,000
Interest and fiscal charges	0	0	540,742	540,742
AEA flowthrough	562,973	0	0	562,973
	<u>562,973</u>	<u>940,130</u>	<u>1,433,380</u>	<u>2,936,483</u>
Total expenditures	<u>13,460,682</u>	<u>942,630</u>	<u>2,021,957</u>	<u>16,425,269</u>
Excess (deficiency) of revenues over (under) expenditures	21,626	535,309	(484,063)	72,872
Other financing sources (uses):				
Transfers in	0	0	740,887	740,887
Transfers out	0	(565,045)	(175,842)	(740,887)
Sale of equipment	625	0	0	625
Total other financing sources (uses)	<u>625</u>	<u>(565,045)</u>	<u>565,045</u>	<u>625</u>
Net change in fund balances	22,251	(29,736)	80,982	73,497
Fund balance beginning of year	<u>1,565,374</u>	<u>1,098,448</u>	<u>795,723</u>	<u>3,459,545</u>
Fund balance end of year	<u>\$ 1,587,625</u>	<u>1,068,712</u>	<u>876,705</u>	<u>3,533,042</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 20) \$ 73,497

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

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

Capital outlays	\$ 159,668	
Depreciation expense	(679,308)	(519,640)

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. 725,000

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. 20,750

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 8,078

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 10,378

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

Early retirement	\$ (221,365)	
Other postemployment benefits	(55,846)	(277,211)

Changes in net assets of governmental activities (page 17) \$ 40,852

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	Business Type Activities: School Nutrition	Governmental Activities: Internal Service
ASSETS		
Current assets:		
Cash and pooled investments	\$ 233,386	10,378
Due from other governments	4,136	0
Inventories	22,877	0
Total current assets	<u>260,399</u>	<u>10,378</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	209,711	0
Total non-current assets	<u>209,711</u>	<u>0</u>
TOTAL ASSETS	<u>470,110</u>	<u>10,378</u>
LIABILITIES		
Current liabilities:		
Salaries and benefits payable	47,404	0
Unearned revenue	7,137	0
Total current liabilities	<u>54,541</u>	<u>0</u>
Long-term liabilities:		
Net OPEB liability	1,518	0
Total long-term liabilities	<u>1,518</u>	<u>0</u>
TOTAL LIABILITIES	<u>56,059</u>	<u>0</u>
NET ASSETS		
Invested in capital assets	209,711	0
Unrestricted	204,340	10,378
TOTAL NET ASSETS	<u>\$ 414,051</u>	<u>10,378</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	Business Type Activities: School Nutrition	Governmental Activities: Internal Service
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 290,023	0
Miscellaneous	2,155	835,596
TOTAL OPERATING REVENUES	<u>292,178</u>	<u>835,596</u>
OPERATING EXPENSES:		
Instruction:		
Regular:		
Other	871	0
Support services:		
Administration:		
Salaries	66,904	0
Benefits	17,793	0
Services	1,609	0
	<u>86,306</u>	<u>0</u>
Operation and maintenance of plant:		
Services	8,664	0
Total instruction & support services	<u>95,841</u>	<u>0</u>
Non-instructional programs:		
Food service operations:		
Salaries	207,714	0
Benefits	42,452	0
Services	13,756	0
Supplies	320,994	0
Other	496	0
Depreciation	34,371	0
	<u>619,783</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	825,303
Total non-instructional programs	<u>619,783</u>	<u>825,303</u>
TOTAL OPERATING EXPENSES	<u>715,624</u>	<u>825,303</u>
OPERATING INCOME (LOSS)	<u>(423,446)</u>	<u>10,293</u>
NON-OPERATING REVENUES:		
Interest	21,519	85
State sources	6,693	0
Federal sources	421,734	0
TOTAL NON-OPERATING REVENUES	<u>449,946</u>	<u>85</u>
Change in net assets	26,500	10,378
Net assets at beginning of year	<u>387,551</u>	<u>0</u>
Net assets end of year	<u>\$ 414,051</u>	<u>10,378</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	Business Type Activities: School Nutrition	Governmental Activities: Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 290,272	0
Cash received from miscellaneous operating activities	2,155	835,596
Cash payments to employees for services	(331,082)	(825,303)
Cash payments to suppliers for goods or services	(304,339)	0
Net cash provided by(used in) operating activities	<u>(342,994)</u>	<u>10,293</u>
Cash flows from non-capital financing activities:		
State grants received	6,693	0
Federal grants received	377,332	0
Net cash provided by non-capital financing activities	<u>384,025</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	21,519	85
Cash flows from capital financing activities:		
Purchase of assets	(5,094)	0
Net increase in cash and cash equivalents	57,456	10,378
Cash and cash equivalents at beginning of year	175,930	0
Cash and cash equivalents at end of year	<u>\$ 233,386</u>	<u>10,378</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (423,446)	10,293
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	40,266	0
Depreciation	34,371	0
Decrease in inventories	1,785	0
Increase in salaries and benefits payable	3,192	0
Increase in unearned revenue	249	0
Increase in other postemployment benefits	589	0
Net cash provided by(used in) operating activities	<u>\$ (342,994)</u>	<u>10,293</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$40,266.

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for local option sales and service tax revenues and capital improvement expenditures.

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for flex spending benefits received by District employees.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 + years
Machinery and equipment	5-12 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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 and the Treasurer of the State of Iowa; 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.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,989,715 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) **Transfers**

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 565,045
Debt Service	Physical Plant and Equipment Levy	175,842
Total		<u>\$ 740,887</u>

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

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 155,965	0	0	155,965
Total capital assets not being depreciated	155,965	0	0	155,965
Capital assets being depreciated:				
Buildings	25,980,414	0	0	25,980,414
Land improvements	1,446,696	6,086	0	1,452,782
Machinery and equipment	1,893,370	153,582	34,538	2,012,414
Total capital assets being depreciated	29,320,480	159,668	34,538	29,445,610
Less accumulated depreciation for:				
Buildings	6,169,090	508,288	0	6,677,378
Land improvements	747,858	44,804	0	792,662
Machinery and equipment	1,582,549	126,216	34,538	1,674,227
Total accumulated depreciation	8,499,497	679,308	34,538	9,144,267
Total capital assets being depreciated, net	20,820,983	(519,640)	0	20,301,343
Governmental activities capital assets, net	\$ 20,976,948	(519,640)	0	20,457,308
Business type activities:				
Machinery and equipment	\$ 554,727	5,094	0	559,821
Less accumulated depreciation	315,739	34,371	0	350,110
Business type activities capital assets, net	\$ 238,988	(29,277)	0	209,711

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 12,289
Other		21,730
Support services:		
Instructional staff		7,415
Administration		5,278
Operation and maintenance of plant		965
Transportation		78,539
		<u>126,216</u>
Unallocated depreciation		<u>553,092</u>
		<u>\$ 679,308</u>
Business type activities:		
Food services		<u>\$ 34,371</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation	\$ 10,600,000	0	580,000	10,020,000	610,000
Capital loan notes	955,000	0	145,000	810,000	150,000
Early retirement	110,000	281,365	60,000	331,365	200,683
Net OPEB liability	88,071	55,846	0	143,917	0
Total	<u>\$ 11,753,071</u>	<u>337,211</u>	<u>785,000</u>	<u>11,305,282</u>	<u>960,683</u>
Business Type Activities:					
Net OPEB liability	\$ 929	589	0	1,518	0

General Obligation

Details of the District's June 30, 2010 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 1, 2003			Bond Issue of May 1, 2003			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2011	5.25 %	\$ 530,000	403,840	5.20 %	\$ 80,000	74,250	\$ 610,000	478,090	1,088,090
2012	5.25	555,000	376,015	5.20	85,000	70,090	640,000	446,105	1,086,105
2013	4.40	580,000	346,877	3.75	90,000	65,670	670,000	412,547	1,082,547
2014	4.50	610,000	321,357	3.90	95,000	62,295	705,000	383,652	1,088,652
2015	4.60	635,000	293,907	4.00	100,000	58,590	735,000	352,497	1,087,497
2016-2020	4.75-4.90	3,670,000	987,203	4.10-4.40	550,000	228,390	4,220,000	1,215,593	5,435,593
2021-2023	5.00	1,735,000	131,250	4.40	705,000	76,340	2,440,000	207,590	2,647,590
Total		<u>\$ 8,315,000</u>	<u>2,860,449</u>		<u>\$ 1,705,000</u>	<u>635,625</u>	<u>\$ 10,020,000</u>	<u>3,496,074</u>	<u>13,516,074</u>

Capital Loan Notes

On March 1, 2004, the District issued capital loan notes of \$1,500,000. These notes will be paid from the Physical Plant and Equipment Levy (PPEL) Fund until the year 2015. Details of the District's June 30, 2010 Capital Loan Notes indebtedness is as follows:

Year Ending June 30,	Interest Rates	Note Issue of March 1, 2004		
		Principal	Interest	Total
2011	2.95	% \$ 150,000	26,655	176,655
2012	3.20	155,000	22,230	177,230
2013	3.30	160,000	17,270	177,270
2014	3.45	170,000	11,990	181,990
2015	3.50	175,000	6,125	181,125
	Total	\$ 810,000	84,270	894,270

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed thirteen years of service to the District and meet the rule of "88". Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives for each eligible employee is equal to a percentage of the employee's basic yearly salary and one days pay of that salary for each two days of unused accumulated sick leave not to exceed a maximum benefit of \$20,000. Early retirement benefits paid during the year ended June 30, 2010, totaled \$60,000. A liability has been recorded in the Government-wide financial statements representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$575,879, \$545,517 and \$441,813 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 234 active

and 12 retired members in the plan. Employees must be age 55 or older at retirement and have thirteen or more years of service to the District.

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

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

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 139,000
Interest on net OPEB obligation	4,005
Adjustment to annual required contribution	(3,570)
Annual OPEB cost (expense)	<u>139,435</u>
Contributions made	<u>(83,000)</u>
Increase in net OPEB obligation	56,435
Net OPEB obligation - beginning of year	<u>89,000</u>
Net OPEB obligation - end of year	<u><u>\$ 145,435</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/10	\$139,435	59.53%	\$145,435

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1.047 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.047 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.622 million, and the ratio of the UAAL to the covered payroll was 18.6%. As of June 30, 2010, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

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

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: dental, life and long-term disability.

District contributions to ISEBA for the year ended June 30, 2010, were \$941,857.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$562,973 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Limited english proficiency	\$ 16,651
Talented and gifted	96,232
Teacher salary supplement	69,210
Model core curriculum	22,843
Statewide voluntary preschool	40,993
Professional development	54,843
Total	<u>\$ 300,772</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 7,280,868	313,697	7,594,565	7,938,383	7,938,383	(343,818)
State sources	7,244,174	6,693	7,250,867	8,830,573	8,830,573	(1,579,706)
Federal sources	1,973,099	421,734	2,394,833	1,330,545	1,330,545	1,064,288
Total revenues	16,498,141	742,124	17,240,265	18,099,501	18,099,501	(859,236)
Expenditures/Expenses:						
Instruction	9,396,502	871	9,397,373	10,096,801	10,096,801	699,428
Support services	4,092,284	94,970	4,187,254	6,984,674	6,984,674	2,797,420
Non-instructional programs	0	619,783	619,783	910,000	910,000	290,217
Other expenditures	2,936,483	0	2,936,483	3,700,101	3,700,101	763,618
Total expenditures/expenses	16,425,269	715,624	17,140,893	21,691,576	21,691,576	4,550,683
Excess(deficiency) of revenues over(under) expenditures/expenses	72,872	26,500	99,372	(3,592,075)	(3,592,075)	3,691,447
Other financing sources, net	625	0	625	2,500	2,500	(1,875)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	73,497	26,500	99,997	(3,589,575)	(3,589,575)	3,689,572
Balance beginning of year	3,459,545	387,551	3,847,096	3,791,223	3,791,223	55,873
Balance end of year	\$ 3,533,042	414,051	3,947,093	201,648	201,648	3,745,445

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$1,047	\$1,047	0.0%	\$4,126	25.4%
2010	July 1, 2008	\$ -	\$1,047	\$1,047	0.0%	\$5,622	18.6%

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

OTHER SUPPLEMENTARY INFORMATION

CRESTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	Total Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 207,058	124,192	434,662	765,912	100,477	866,389
Receivables:						
Property tax:						
Delinquent	2,297	0	2,437	4,734	7,622	12,356
Succeeding year	261,500	0	202,968	464,468	615,290	1,079,758
Income surtax	0	0	116,433	116,433	0	116,433
Total Assets	\$ 470,855	124,192	756,500	1,351,547	723,389	2,074,936
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 0	2,040	0	2,040	0	2,040
Deferred revenue:						
Succeeding year property tax	261,500	0	202,968	464,468	615,290	1,079,758
Income surtax	0	0	116,433	116,433	0	116,433
Total liabilities	261,500	2,040	319,401	582,941	615,290	1,198,231
Fund balances:						
Reserved for debt service	0	0	0	0	108,099	108,099
Unreserved	209,355	122,152	437,099	768,606	0	768,606
Total fund balances	209,355	122,152	437,099	768,606	108,099	876,705
Total Liabilities and Fund Balances	\$ 470,855	124,192	756,500	1,351,547	723,389	2,074,936

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	Total Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 174,483	0	312,639	487,122	613,835	1,100,957
Other	153	427,691	8,429	436,273	27	436,300
State sources	117	0	126	243	394	637
TOTAL REVENUES	174,753	427,691	321,194	923,638	614,256	1,537,894
EXPENDITURES:						
Current:						
Instruction:						
Regular	60,000	0	0	60,000	0	60,000
Other	0	434,697	0	434,697	0	434,697
Support services:						
Instructional staff	0	0	5,000	5,000	0	5,000
Operation and maintenance of plant	88,880	0	0	88,880	0	88,880
Other expenditures:						
Facilities acquisitions	0	0	167,638	167,638	0	167,638
Long-term debt:						
Principal	0	0	0	0	725,000	725,000
Interest and fiscal charges	0	0	0	0	540,742	540,742
TOTAL EXPENDITURES	148,880	434,697	172,638	756,215	1,265,742	2,021,957
Excess(Deficiency) of revenues over(under) expenditures	25,873	(7,006)	148,556	167,423	(651,486)	(484,063)
Other financing sources(uses):						
Transfer in	0	0	0	0	740,887	740,887
Transfer out	0	0	(175,842)	(175,842)	0	(175,842)
Total other financing sources(uses)	0	0	(175,842)	(175,842)	740,887	565,045
Net change in fund balances	25,873	(7,006)	(27,286)	(8,419)	89,401	80,982
Fund balance beginning of year	183,482	129,158	464,385	777,025	18,698	795,723
Fund balance end of year	\$ 209,355	122,152	437,099	768,606	108,099	876,705

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Transfers	Balance End of Year
Unreserved fund balance	\$ 0	543	0	(497)	46
HS general athletics	20,113	20,708	35,012	14,787	20,596
Athletic director	0	8	8	0	0
Athletic tournaments	0	3,435	3,435	0	0
MS general athletics	(1,342)	0	50	1,392	0
Bowling	55	2,565	2,618	0	2
Boys basketball	1,239	5,423	4,132	(1,800)	730
MS boys basketball	(3,370)	702	1,058	1,200	(2,526)
Football	895	17,283	9,305	(7,800)	1,073
MS football	1,122	3,126	3,112	0	1,136
HS boys soccer	234	1,867	5,039	2,938	0
Baseball	(3,077)	15,460	15,513	3,808	678
Boys track	60	1,715	1,321	0	454
MS boys track	(569)	155	364	781	3
Boys cross country	28	2,242	1,748	50	572
Boys tennis	8	0	590	582	0
Boys golf	67	50	1,026	909	0
Wrestling	70	7,500	10,342	2,772	0
MS wrestling	684	1,212	865	0	1,031
Girls basketball	1,313	4,116	3,562	(1,000)	867
MS girls basketball	(2,201)	569	909	1,000	(1,541)
Volleyball	796	5,696	4,871	(800)	821
MS volleyball	3	958	812	0	149
HS girls soccer	80	1,465	2,527	982	0
Softball	(20)	4,112	5,868	1,856	80
Girls track	469	1,381	2,636	800	14
MS girls track	2	707	795	100	14
Girls golf	6	0	1,124	1,118	0
Annual	11,167	13,520	12,365	0	12,322
Cheerleaders	4	4,066	4,292	222	0
Class of 2010	5,249	100	2,535	(2,850)	(36)
Class of 2011	1,001	10,255	8,176	0	3,080
Class of 2012	465	0	0	0	465
Class of 2013	450	0	0	0	450
Alumni	(2,950)	0	0	2,950	0
FFA	29,012	38,879	40,533	0	27,358
FCCLA	2,352	0	0	0	2,352
Interest	3,136	8	0	(2,008)	1,136
Marching panthers	16,588	89,077	101,920	0	3,745
Panther guard	(1,274)	2,826	2,736	1,247	63
National honor society	6	345	347	0	4
Panther boys basketball	2,385	400	1,753	0	1,032
Panther girls basketball	3,914	5,013	6,128	0	2,799
Panther boys golf	6	0	0	0	6

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Transfers	Balance End of Year
Panther boys cross country	19	1,615	1,452	0	182
Panther boys tennis	1,344	1,766	2,245	0	865
Panther boys track	24	1,282	1,630	324	0
Panther football	(274)	21,971	23,869	0	(2,172)
Panther girls track	2	0	0	0	2
Panther girls tennis	631	0	0	0	631
Panther singers	6,881	11,853	16,388	0	2,346
Panther softball	101	3,463	4,067	1,000	497
Panther volleyball	2,207	1,543	2,357	0	1,393
Panther weight club	250	0	0	0	250
Panther wrestlers	2,967	1,365	610	0	3,722
Panther speech club	0	400	319	0	81
Student activity	2,340	30,036	1,798	(30,578)	0
Student government	1,355	3,846	2,484	0	2,717
Unity project	0	2,650	2,837	1,322	1,135
Panther baseball	(7,204)	2,545	2,219	3,000	(3,878)
MS student government	2,063	5,967	4,395	0	3,635
HS weight room	2,744	1,081	1,572	0	2,253
MS marching panthers	4,735	11,820	12,456	0	4,099
Library	36	0	0	0	36
Entrepreneur	876	0	0	0	876
Panther desktop publishing	967	16,893	12,589	0	5,271
Alternative school	1,265	0	0	0	1,265
Special olympics	1,807	719	1,362	500	1,664
JDC	130	118	0	0	248
Panther boys soccer	(728)	0	126	854	0
Panther girls soccer	(1,203)	1,221	856	839	1
Thespians	3,044	3,000	1,136	0	4,908
IJAG	260	257	351	0	166
Teachers lounge	1,494	0	0	0	1,494
Diversity club	327	0	203	0	124
Hawkeye 10 conference	5,658	0	5,658	0	0
Elementary library	17	0	0	0	17
Panther peppers	4,016	9,629	8,184	0	5,461
Big sister/little sister	1,510	0	0	0	1,510
Spanish club	1	0	0	0	1
MS singers	1,320	1,629	613	0	2,336
Clearing account	0	23,535	23,494	0	41
Total	\$ 129,158	427,691	434,697	0	122,152

CRESTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 10,391	0	10,391	0
Liabilities				
Due to other groups	\$ 10,391	0	10,391	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 5,873,843	5,690,210	5,151,891	5,205,282	4,650,977	4,675,468	4,586,430
Tuition	685,794	589,692	779,123	846,712	531,819	417,718	544,102
Other	721,231	904,072	990,841	1,054,229	1,035,187	992,047	697,535
State sources	7,244,174	8,038,068	7,990,501	7,452,259	6,916,779	6,564,307	6,252,892
Federal sources	1,973,099	962,992	651,278	811,268	1,162,023	801,998	1,644,172
Total	\$ 16,498,141	16,185,034	15,563,634	15,369,750	14,296,785	13,451,538	13,725,131
Expenditures:							
Instruction:							
Regular	\$ 5,999,181	6,100,713	5,342,920	5,483,982	4,926,797	4,492,302	4,566,081
Special	1,855,851	1,890,125	2,059,834	2,130,654	1,719,109	1,689,582	2,434,811
Other	1,541,470	1,446,614	1,400,158	945,375	1,413,132	1,479,975	1,173,527
Support services:							
Student	355,840	347,350	342,721	326,932	331,017	318,548	264,642
Instructional staff	382,365	290,957	504,741	344,642	292,024	419,125	274,942
Administration	1,510,851	1,489,523	1,555,199	1,511,141	1,423,425	1,214,908	940,627
Operation and maintenance of plant	1,284,522	1,452,699	1,179,766	1,217,476	1,235,867	1,178,766	710,303
Transportation	558,706	535,600	610,722	520,583	561,262	355,322	359,042
Central support	0	0	0	0	0	0	105,806
Non-instructional:							
Food service operations	0	7,183	7,182	0	2,868	0	0
Other expenditures:							
Facilities acquisitions	1,107,768	135,130	653,336	621,617	1,376,643	2,746,755	10,856,929
Long Term Debt:							
Principal	725,000	690,000	660,000	635,000	610,000	460,000	445,000
Interest and fiscal charges	540,742	570,143	601,483	625,658	647,865	673,912	644,876
AEA flow-through	562,973	508,699	493,874	465,028	431,257	421,173	421,480
Total	\$ 16,425,269	15,464,736	15,411,936	14,828,088	14,971,266	15,450,368	23,198,066

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 100,657
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	316,941 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.556	FY 10	4,136
			<u>421,734</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1503-G	170,436
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	32,708
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	163,844
			<u>366,988</u>
EDUCATIONAL TECHNOLOGY STATE GRANTS	84.318	FY 10	<u>2,492</u>
READING FIRST STATE GRANTS	84.357	FY 10	<u>115,488</u>
IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	84.367	FY 10	<u>89,701</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 10	<u>9,409</u>
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>604,205</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 10	80,939
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	FY 10	4,499
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 09	44,263
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	126,173
			<u>255,874</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>17,287</u>
NATIONAL ENDOWMENT FOR THE ARTS:			
IOWA ARTS COUNCIL:			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS GRANT)	45.025	FY 10	<u>200</u>
ENVIRONMENTAL PROTECTION AGENCY:			
SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS, DEMONSTRATIONS AND SPECIAL PURPOSE ACTIVITIES RELATING TO THE CLEAN AIR ACT (CLEAN SCHOOL BUS PROGRAM)	66.034	FY 10	<u>30,450</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA DEPARTMENT OF PUBLIC DEFENSE:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISION: PUBLIC ASSISTANCE GRANTS(FEMA DISASTER ASSISTANCE)	97.036	FY 10	<u>337,550</u>
TOTAL			<u>\$ 2,251,378</u>

* - includes \$40,266 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Creston Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 17, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Creston Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

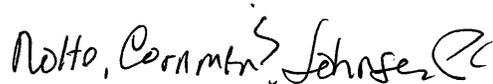
express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Creston Community School District and other parties to whom Creston Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2011

NOLTE, CORNMAN & JOHNSON P.C.

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

To the Board of Education of
Creston Community School District:

Compliance

We have audited the compliance of Creston Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Creston Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Creston Community School District's management. Our responsibility is to express an opinion on Creston Community School District's compliance based on our audit.

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

In our opinion, Creston Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Creston Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Creston Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Creston Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Creston Community School District and other parties to whom Creston Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2011

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major program was as follows:

Clustered Programs:

- CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act

Clustered Programs:

- CFDA Number 84.027 - Special Education - Grants to States(Part B)
- CFDA Number 84.173 - Special Education - Preschool Grants
- CFDA Number 84.391 - Special Education - Grants to States(Part B), Recovery Act

Individual Programs:

- CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF) Education State Grants
Recovery Act
- CFDA Number 97.036 - Public Assistance Grants(FEMA Disaster Assistance)

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Creston Community School District did not qualify as a low-risk auditee.

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

OTHER MATTERS:

II-B-10 Student Activity Fund Interest - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated to individual accounts in the Student Activity Fund for several years.

Recommendation - Interest earned each year should be allocated out on an annual basis to the individual activity accounts.

Response - The District will allocate interest earned during the year in the Student Activity Fund to the individual accounts within that fund at the conclusion of the fiscal year.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 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.

IV-D-10 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Brian Strider, Board Member Employed by Barker Implement	Repairs & Rentals	\$3,993

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

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, service and use tax are as follows:

Beginning Balance		\$	531,832
Statewide sales, services and use tax revenue			1,184,831
Expenditures/Transfers out:			
School infrastructure			
Other improvements	\$	942,630	
Debt service for school infrastructure:			
General obligation debt		565,045	1,507,675
		<u>565,045</u>	<u>1,507,675</u>
Ending Balance		\$	<u>208,988</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.80361	\$ 565,045
Physical Plant and Equipment Levy	\$ 1.04165	\$ 326,334

IV-M-10 Financial Condition - The District had five accounts in the Student Activity Fund that had deficit balances at the end of the year totaling \$10,153.

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

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

Conclusion - Response accepted.

IV-N-10 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), 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 students. More specific examples of these instances of questioned items and recommendations are as follows:

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

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

Response - The accounts, Panther library, elementary library and alternative school have been moved to the General Fund. The funds in the teacher's lounge account will be expended during the year and the account will have a zero balance at the end of the fiscal 2011 year.

Conclusion - Response accepted.

IV-O-10 Physical Plant and Equipment Levy(PPEL) Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. We noted during our audit that the District purchased 50 computers for a total of \$5,000, which is under the \$500 per unit of equipment restriction as mentioned above.

Recommendation - The District should review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non compliance. The District should make a corrective transfer to the Physical Plant and Equipment Levy Fund from the General Fund for \$5,000.

Response - In November 2010, the District made a corrective transfer of \$5,000 from the General Fund to the PPEL Fund

Conclusion - Response accepted.