

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	24
Statement of Cash Flows	I	25
Notes to Financial Statements		26-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		37
Notes to Required Supplementary Information - Budgetary Reporting		38
Schedule of Funding Progress for the Retiree Health Plan		39
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	42
Nonmajor Enterprise Funds:		
Combining Schedule of Net Assets	3	43
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets	4	44
Combining Schedule of Cash Flows	5	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	46
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund		
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	47
Schedule of Expenditures of Federal Awards	8	48
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		49-50
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in accordance with OMB Circular A-133		51-52
Schedule of Findings and Questioned Costs		53-60

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Schaller-Crestland Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District, Schaller, Iowa, as of and for the year ended June 30, 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 Schaller-Crestland 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 reports dated March 11, 2011 on our consideration of Schaller-Crestland Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Schaller-Crestland Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, 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.

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

March 11, 2011

Schaller-Crestland Community School District

Management Discussion & Analysis

This section of the Schaller-Crestland Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2010. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The Schaller-Crestland CSD Board of Directors approved a Property Tax decrease from \$14.05012 to \$13.72316 per \$1,000 taxable valuation, creating a stable tax rate from the previous year.
- The Local Option Sales Tax was beneficial to the district in that it generated about \$224,877, a decrease of \$3,568, for capital improvement projects. (The amount is from Exhibit B.)

Overview of the Financial Statements

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

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

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

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

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

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

Figure A-1

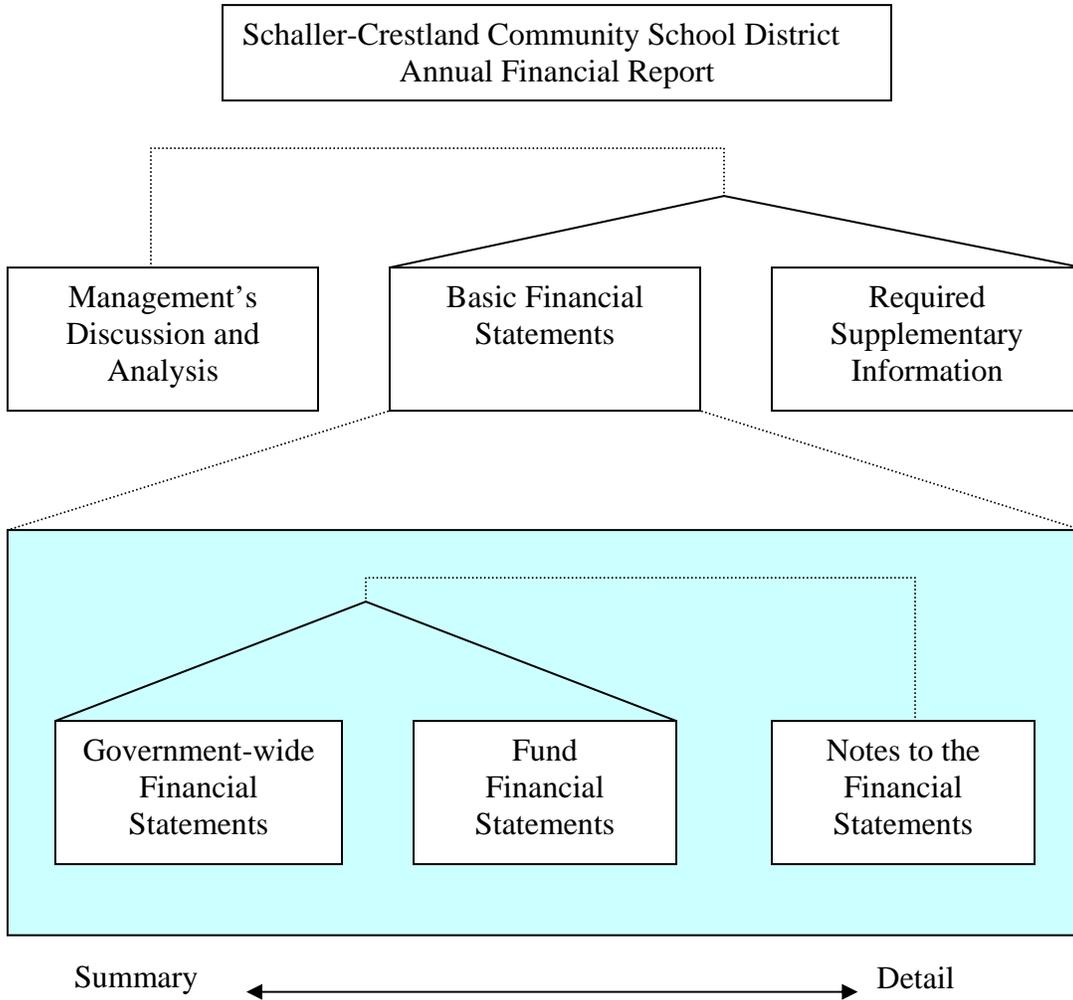


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

<i>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</i>				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private business: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flow 	<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 and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

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

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's food service program would be included 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 two kinds of funds:

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

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets ended June 30, 2010, 2009 and 2008.

Net assets

The District's total net assets had shown a steady increase over the past several years, and had increased \$145,519 during fiscal year 2008 and then began to decrease by \$38,128 in 2009 and another \$217,513 by 2010.

Figure A-3	Condensed Statement of Net Assets									
	Governmental Activities			Business Type Activities			Total School District			Total % Change 2009-2010
	2008	2009	2010	2008	2009	2010	2008	2009	2010	
Current and other assets	\$3,482,995	\$4,222,783	\$3,595,649	(\$1,141)	\$16,884	\$24,284	\$3,481,854	\$4,239,667	\$3,619,933	(15%)
Capital assets	2,616,887	2,533,803	2,639,875	26,237	21,284	16,889	2,643,124	2,555,087	\$2,656,764	4%
Total Assets	6,099,882	6,756,586	6,235,524	25,096	38,168	41,173	\$6,124,978	\$6,794,754	\$6,276,697	(8%)
Long-term liabilities	59,926	61,361	167,203	0	0	0	59,926	61,361	167,203	172%
Other liabilities	2,294,404	3,000,680	2,594,681	1,236	2,596	2,209	2,295,640	3,003,276	\$2,596,890	(14%)
Total liabilities	2,354,330	3,062,041	2,761,884	1,236	2,596	2,209	2,355,566	3,064,637	\$2,764,093	(10%)
Net Assets:										
Invested in capital assets, net of related debt	2,616,887	2,533,803	2,639,875	26,237	21,284	16,889	2,643,124	2,555,087	2,656,764	4!Zero Divide
Restricted	654,814	881,689	739,320	0	0	0	654,814	881,689	739,320	(16%)
Unrestricted	473,851	279,053	94,445	(2,377)	14,288	22,075	471,474	293,341	116,520	60%
TOTAL NET ASSETS	\$3,745,552	\$3,694,545	3,473,640	\$23,860	\$35,572	\$38,964	\$3,769,412	\$3,730,117	\$3,512,604	(6%)

The District may issue anticipatory warrants through the Iowa Schools Cash Anticipation Program, to ease cash flow problems that may occur periodically throughout the year. The District did not participate in the Iowa Schools Cash Anticipation Program this year. This had little effect on increasing the District's current assets and other liabilities. Other cash flow issues may be addressed through the use of the State Bank of Schaller in Schaller.

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 approximately \$142,369 or 16% over the prior year. The decrease was primarily a result of special capital projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints, established by debt covenants, enabling legislation or other legal requirements – decreased by approximately \$176,821 or (60%) from the previous year.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2010.

Changes in Net Assets						
Figure A-4	Governmental Activities		Business-type Activities		Total School District	
	2009	2010	2009	2010	2009	2010
Revenues						
Program Revenues						
Charges for services	\$205,517	172,341	143,160	169,733	\$348,677	\$342,074
Operating Grants & Contributions	618,492	857,449	96,503	100,562	714,995	\$958,011
Capital Grants & Contributions	0	14,130	0	0	0	14,130
General Revenues						
Property taxes & other taxes	2,387,427	2,563,541	0	0	2,387,427	\$2,563,541
Unrestricted State Grants	1,330,777	965,923	0	0	1,330,777	\$965,923
Unrestricted Investment Earnings	15,059	18,811	77	97	15,136	\$18,908
Other Revenue	3,634	8,599	0	0	3,634	\$8,599
Total Revenues	\$4,560,906	\$4,600,794	\$239,740	\$270,392	\$4,800,646	\$4,871,186
Expenses						
Instruction	3,019,135	3,120,604	0	0	3,019,135	\$3,120,604
Support Services	1,234,038	1,256,472	0	0	1,234,038	\$1,256,472
Non-Instructional Programs	0	0	228,028	267,000	228,028	\$267,000
Other Expenses	358,740	444,623	0	0	358,740	\$444,623
Total Expenses	\$4,611,913	\$4,821,699	\$228,028	\$267,000	\$4,839,941	\$5,088,699
Change in Net Assets	(\$51,007)	(\$220,905)	\$11,712	\$3,392	(\$39,295)	(\$217,513)

Total District revenues increased approximately \$70,540 between 2009 and 2010 while total expenses increased in 2010 by approx. \$248,758. This created a deficit of (\$217,513) in total school district net assets. Total property tax revenues increased approximately \$176,114.

Governmental Activities -

Referring to *Figure A-4*, revenues for the District's governmental activities were \$4,600,794 for fiscal year 2010. Total governmental expenditures were \$4,821,699.

In a very difficult budget year, the District tried to trim expenses to match available revenues, however the board of directors was able to maintain the overall district tax rate from \$14.05012 to \$13.72316 per thousand dollars of taxable valuation. The signing of a whole grade sharing agreement should have significant impact on our revenue to expense ratio going forward.

Net Cost of Governmental Activities				
Figure A-5				
	Total Cost of Services 2009	Total Cost of Services 2010	Net Cost Of Services 2009	Net Cost Of Services 2010
Instruction	\$3,019,135	\$3,120,604	\$2,354,918	\$2,259,975
Support Services	1,234,038	\$1,256,472	1,224,578	1,252,082
Other Expenses	358,740	444,623	208,408	265,722
TOTAL	\$4,611,913	\$4,821,699	\$3,787,904	\$3,777,779

Figure A-5 presents the cost of the District’s major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions.

- The cost of all governmental activities this year was \$4,821,699.
- Most of the District’s costs (\$3,777,779) were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,563,541 in property and other local taxes, and \$965,923 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

Business-Type Activities -

The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District’s business-type activities show a increase in net assets with revenues exceeding expenses in 2009 & 2010, with an increase in 2009 to 2010 \$3,392, for a two year total of increase revenue of \$15,104 (refer to *Figure A-4*). We opened up a Daycare in our facility in 2009 and that made the total revenues increase slightly in 2010. The increase in the change of net assets was also due to the increased costs for salaries, employee benefits and food. The Board of Education did increase school meal prices for fiscal year 2009 and 2010. A \$10,000 grant from Iowa State University payable over two fiscal years was received for Promoting Health Literacy Through the School Nutrition Environment The revenues increased from fiscal year 2009 \$30,652.

Financial Analysis of the District’s Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$792,701.

Governmental Fund Highlights

The General Fund balance decreased from \$482,754 in '03 to \$404,987 in '04 to \$378,251 in '05, to \$370,264 in 2006, \$422,418 in 2007, \$367,563 in 2008, in 2009 decreased to \$206,659, in 2010 \$28,186. This is due in part to a concerted effort in the reduction in staff, even though student enrollment declined, and negotiated salary and benefit settlements increased. The Board chose to use carryover fund balance to maintain obligations and student programming. Expenditures over revenues began to separate dramatically.

The capital projects fund balance increased slightly \$5,030, due to its use for a major track renovation.

The Non-major governmental funds include Management, Student Activity, and Physical Plant and Equipment Levy.

The Management fund balance increased \$14,393 to \$165,751 during the year. The increase was due to the goal of readying for the early retirement due to the possibility of Whole Grade Sharing.

The Physical Plant and Equipment Fund began fiscal year 2009 with a balance of \$280,823 and ended the year in June of 2010 with a positive fund balance of \$176,435.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$97,704 on June 30, 2003 to \$97,260 on June 30, 2004, on June 30, 2005 \$83,826, \$62,344 on June 30, 2006, on June 30, 2007 \$37,998, on June 30, 2008 \$23,860, on June 30, 2009 \$25,328 and on June 30, 2010 \$29,724 representing an increase of 17% from the previous year. The higher cost of food and salaries along with extra hours put in by the head cook to comply with more federal and state regulations and mandates added to our overall costs.

Budgetary Highlights

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

Ultimately, budgeted amounts exceeded actual revenue by \$234,174. This was due to a variety of factors. On the expense side, the District began adjusting to multiple factors.

When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping disbursements in line with revenues as actual revenue accumulates. As a result, the District's certified budget would hopefully exceed the actual expenditures during the coming year. It is apparent that even in such a difficult fiscal year in which to accurately predict revenues, the District's total disbursements were \$5,088,929 and total receipts were \$4,831,466, resulting in a deficiency of revenues over expenditures of \$257,463.

Capital Asset and Debt Administration

Capital Assets

By the end of 2010, the District had invested \$2,656,764 net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net increase of \$101,677 or a 4% increase from last year. The District was able to stay within its means and not accumulate any debt in FY10.

The 2009-2010 school year was once again one of the districts most productive in the way of capital improvements to the district. Through the Physical Plant and Equipment fund and Capital Projects fund better known as the one cent local option sales tax, we were able to make many repairs and improvements. The list includes, but not limited to, painting and carpeting of classrooms and hallways, the purchase of another seven passenger mini-van, major heating repairs to individual heat pump units at the high school, roof repairs in Schaller, chain link fence repair at the sport complex in Early, a major tuck-pointing of the 1936 building in Schaller, carpet, asbestos abatement and pipe insulation, new high efficiency lights in the Early commons and AP room, and gym in Schaller, computer laptop laboratories', and a new digital timing system in the Early building and a new water heater in Schaller.

Capital Assets (net of depreciation)										
Figure A-6	Governmental Activities			Business-type Activities			Total School District			Total % Change 2009-2010
	2008	2009	2010	2008	2009	2010	2008	2009	2010	
Land	18,889	18,889	18,889	0	0	0	18,889	18,889	18,889	0%
Buildings. & Improvements	2,423,371	2,319,108	2,453,782	0	0	0	2,423,371	2,319,108	2,453,782	6%
Equip. & Furniture	174,627	195,806	167,204	26,237	21,284	16,889	200,864	217,090	184,093	(15%)
TOTAL	2,616,887	2,533,803	2,639,875	26,237	21,284	16,889	2,643,124	2,555,087	2,656,764	4%

Long-Term Debt

At June 30, 2010 the District's only long-term debt was for its early retirement program and net OPEB liability.

Factors Bearing on the District's Future

The District will need to show even more caution financially as they explore the possibility of Whole Grade Sharing to cut costs. Budgeting practices such as making sure disbursements do not exceed receipts is our primary focus however staff needs are driving us to overspend revenues. In FY '10, the District will have received two years of allowable growth money, however, allowable growth is always tentative at best as both the federal and state coffers have become strained which directly affects Schaller-Crestland. We still experienced a declining enrollment but not as dramatic as in years past.

As stated last year in the MD&A, in FY '10, the District will receive its fifth year of added property value as the Wind Farm matures. Increased property value is projected to generate over \$65,000 the first year compounded each year for 6 years to about \$400,000. There are now 76 wind turbines located in the Sac County portion of the school district and 2 in the Buena Vista portion of the district for a total of 78.

The overall assessed valuation for has been increasing over \$10,000,000 per year which helps in stabilizing our tax asking due in part to the wind turbines. They are valued at about 1.5 million dollars each. However, costs outside of the Board's control such as continual increases in health insurance and higher utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability. Funds from PPEL and the SILO tax will help when making large capital improvements to the district.

On July 1, 2010 the Schaller-Crestland Community School District and the Galva-Holstein Community School District began whole grade sharing.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,001,485	9,278	1,010,763
Receivables:			
Property tax:			
Delinquent	30,953	-	30,953
Succeeding year	2,231,634	-	2,231,634
Accounts	11,660	2,269	13,929
Accrued interest	365	-	365
Due from other governments	319,552	1,165	320,717
Inventories	-	11,572	11,572
Capital assets, net of accumulated depreciation	2,639,875	16,889	2,656,764
Total assets	6,235,524	41,173	6,276,697
Liabilities			
Accounts payable	59,051	1,300	60,351
Salaries and benefits payable	296,124	94	296,218
Deferred revenue:			
Succeeding year property tax	2,231,634	-	2,231,634
Other	7,872	815	8,687
Long-term liabilities:			
Portion due within one year:			
Termination benefits	61,002	-	61,002
Portion due after one year:			
Termination benefits	93,091	-	93,091
Net OPEB liability	13,110	-	13,110
Total liabilities	2,761,884	2,209	2,764,093
Net assets			
Invested in capital assets	2,639,875	16,889	2,656,764
Restricted for:			
Categorical funding	49,941	-	49,941
Management levy	11,658	-	11,658
Physical plant and equipment levy	255,392	-	255,392
Other special revenue purposes	46,548	-	46,548
Sales tax capital projects	375,781	-	375,781
Unrestricted	94,445	22,075	116,520
Total net assets	3,473,640	38,964	3,512,604

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,145,798	80,296	541,653	-
Special	349,773	-	70,588	-
Other	625,033	91,495	76,597	-
	<u>3,120,604</u>	<u>171,791</u>	<u>688,838</u>	<u>-</u>
Support services:				
Student	44,805	-	-	-
Instructional staff	155,061	-	-	-
Administration	482,863	-	-	-
Operation and maintenance of plant	320,790	-	-	-
Transportation	252,953	550	3,840	-
	<u>1,256,472</u>	<u>550</u>	<u>3,840</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	149,543	-	1,351	14,130
AEA flowthrough	163,420	-	163,420	-
Depreciation (unallocated)*	131,660	-	-	-
	<u>444,623</u>	<u>-</u>	<u>164,771</u>	<u>14,130</u>
Total governmental activities	4,821,699	172,341	857,449	14,130
Business type activities:				
Non-instructional programs:				
Food service operations	185,769	100,162	89,995	-
Daycare	81,231	69,571	10,567	-
Total business-type activities	<u>267,000</u>	<u>169,733</u>	<u>100,562</u>	<u>-</u>
Total	<u>5,088,699</u>	<u>342,074</u>	<u>958,011</u>	<u>14,130</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,523,849)	-	(1,523,849)
(279,185)	-	(279,185)
(456,941)	-	(456,941)
<u>(2,259,975)</u>	<u>-</u>	<u>(2,259,975)</u>
(44,805)	-	(44,805)
(155,061)	-	(155,061)
(482,863)	-	(482,863)
(320,790)	-	(320,790)
(248,563)	-	(248,563)
<u>(1,252,082)</u>	<u>-</u>	<u>(1,252,082)</u>
(134,062)	-	(134,062)
-	-	-
(131,660)	-	(131,660)
<u>(265,722)</u>	<u>-</u>	<u>(265,722)</u>
(3,777,779)	-	(3,777,779)
-	4,388	4,388
-	(1,093)	(1,093)
-	3,295	3,295
<u>(3,777,779)</u>	<u>3,295</u>	<u>(3,774,484)</u>
1,985,579	-	1,985,579
106,312	-	106,312
246,773	-	246,773
224,877	-	224,877
965,923	-	965,923
18,811	97	18,908
8,599	-	8,599
<u>3,556,874</u>	<u>97</u>	<u>3,556,971</u>
(220,905)	3,392	(217,513)
<u>3,694,545</u>	<u>35,572</u>	<u>3,730,117</u>
<u>3,473,640</u>	<u>38,964</u>	<u>3,512,604</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Capital Projects Fund Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	271,414	344,553	385,518	1,001,485
Receivables:				
Property tax:				
Delinquent	27,977	-	2,976	30,953
Succeeding year	2,053,152	-	178,482	2,231,634
Accounts	629	540	10,491	11,660
Accrued interest	66	164	135	365
Due from other governments	182,494	58,101	78,957	319,552
Total assets	2,535,732	403,358	656,559	3,595,649
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	38,058	10,607	10,386	59,051
Salaries and benefits payable	279,154	16,970	-	296,124
Deferred revenue:				
Succeeding year property tax	2,053,152	-	178,482	2,231,634
Income surtax receivable	110,540	-	78,957	189,497
Other	26,642	-	-	26,642
Total liabilities	2,507,546	27,577	267,825	2,802,948
Fund balances:				
Reserved for:				
Categorical funding	49,941	-	-	49,941
Unreserved reported in:				
General fund	(21,755)	-	-	(21,755)
Special revenue funds	-	-	388,734	388,734
Capital projects funds	-	375,781	-	375,781
Total fund balance	28,186	375,781	388,734	792,701
Total liabilities and fund balances	2,535,732	403,358	656,559	3,595,649

SCHALLER-CRESTLAND 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 (Exhibit C) 792,701

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

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in the governmental funds. 2,639,875

Other long-term assets are not available to pay current period expenditures and,
therefore, are deferred in the governmental funds. 208,267

Long-term liabilities, including termination benefits and other postemployment
benefits payable, are not due and payable in the current period and therefore, are
not reported as liabilities in the governmental funds. (167,203)

Net assets of governmental activities (Exhibit A) 3,473,640

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects Fund Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,019,985	224,877	297,774	2,542,636
Tuition	49,141	-	-	49,141
Other	39,219	5,743	119,733	164,695
State sources	1,394,092	-	-	1,394,092
Federal sources	409,159	-	1,351	410,510
Total revenues	<u>3,911,596</u>	<u>230,620</u>	<u>418,858</u>	<u>4,561,074</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,914,901	95,004	35,448	2,045,353
Special	349,002	-	-	349,002
Other	540,465	-	80,260	620,725
	<u>2,804,368</u>	<u>95,004</u>	<u>115,708</u>	<u>3,015,080</u>
Support services:				
Student	40,757	3,534	-	44,291
Instructional staff	148,061	-	7,000	155,061
Administration	459,374	-	20,952	480,326
Operation and maintenance of plant	259,854	-	49,705	309,559
Transportation	214,280	3,911	20,124	238,315
	<u>1,122,326</u>	<u>7,445</u>	<u>97,781</u>	<u>1,227,552</u>
Other expenditures:				
Facilities acquisition	-	123,141	292,736	415,877
AEA flowthrough	163,420	-	-	163,420
	<u>163,420</u>	<u>123,141</u>	<u>292,736</u>	<u>579,297</u>
Total expenditures	<u>4,090,114</u>	<u>225,590</u>	<u>506,225</u>	<u>4,821,929</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(178,518)</u>	<u>5,030</u>	<u>(87,367)</u>	<u>(260,855)</u>
Other financing sources (uses):				
Sales of materials and equipment	45	-	-	45
Net change in fund balances	<u>(178,473)</u>	<u>5,030</u>	<u>(87,367)</u>	<u>(260,810)</u>
Fund balances beginning of year	<u>206,659</u>	<u>370,751</u>	<u>476,101</u>	<u>1,053,511</u>
Fund balances end of year	<u>28,186</u>	<u>375,781</u>	<u>388,734</u>	<u>792,701</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(260,810)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	283,334	
Depreciation expense	<u>(177,262)</u>	106,072
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		39,675
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(92,732)	
Other postemployment benefits	<u>(13,110)</u>	<u>(105,842)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(220,905)</u></u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	9,278
Accounts receivable	2,269
Due from other governments	1,165
Inventories	11,572
Capital assets, net of accumulated depreciation	<u>16,889</u>
Total assets	<u>41,173</u>
Liabilities	
Accounts payable	1,300
Salaries and benefits payable	94
Deferred revenue	<u>815</u>
Total liabilities	<u>2,209</u>
Net assets	
Invested in capital assets	16,889
Unrestricted	<u>22,075</u>
Total net assets	<u><u>38,964</u></u>

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

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	\$
Operating revenues:	
Local sources:	
Charges for service	169,733
Operating expenses:	
Salaries	126,888
Benefits	18,691
Purchased services	10,036
Supplies	106,990
Depreciation	4,395
Total operating expenses	267,000
Operating gain (loss)	(97,267)
Non-operating revenues:	
State sources	3,812
Federal sources	96,750
Interest income	97
Total non-operating revenues	100,659
Change in net assets	3,392
Net assets beginning of year	35,572
Net assets end of year	38,964

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	101,342
Cash received from daycare services	68,648
Cash payments to employees for services	(145,485)
Cash payments to suppliers for goods or services	(105,481)
Net cash used by operating activities	<u>(80,976)</u>
Cash flows from non-capital financing activities:	
Loan from General Fund	(6,083)
State grants received	3,812
Federal grants received	87,506
Net cash provided by non-capital financing activities	<u>85,235</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>97</u>
Net increase (decrease) in cash and cash equivalents	4,356
Cash and cash equivalents at beginning of year	<u>4,922</u>
Cash and cash equivalents at end of year	<u><u>9,278</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(97,267)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	13,560
Depreciation	4,395
Decrease (increase) in inventories	(1,771)
Decrease (increase) in accounts receivable	494
(Decrease) increase in accounts payable	(244)
(Decrease) increase in salaries and benefits payable	94
(Decrease) increase in deferred revenue	(237)
Net cash used by operating activities	<u><u>(80,976)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$13,560 of federal commodities.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

Schaller-Crestland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Schaller, Iowa and the predominately agricultural territory in a portion of Sac and Ida Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	Amount \$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Intangibles	2-20 years
Furniture and equipment	5-12 years

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

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

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

proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

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

2. **Cash and Pooled Investments**

The District's deposits in banks 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; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

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

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final

date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50% A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	-	-	-

During the year ended June 30, 2010, the District paid \$966 of interest on the ISCAP warrants.

4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	18,889	-	-	18,889
Capital assets being depreciated:				
Buildings	5,147,289	104,634	-	5,251,923
Improvements other than buildings	531,060	161,700	-	692,760
Furniture and equipment	762,344	17,000	44,025	735,319
Total capital assets being deprec.	6,440,693	283,334	44,025	6,680,002
Less accumulated depreciation for:				
Buildings	3,071,242	113,642	-	3,184,884
Improvements other than buildings	287,999	18,018	-	306,017
Furniture and equipment	566,538	45,602	44,025	568,115
Total accumulated depreciation	3,925,779	177,262	44,025	4,059,016
Total capital assets being depreciated, net	2,514,914	106,072	-	2,620,986
Governmental activities capital assets, net	2,533,803	106,072	-	2,639,875
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	93,842	-	-	93,842
Less accumulated depreciation	72,558	4,395	-	76,953
Business type activities capital assets, net	21,284	(4,395)	-	16,889

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Other instruction	2,509
Support services:	
Administration	1,252
Operation and maintenance of plant services	10,460
Transportation	31,381
	<hr/>
	45,602
Unallocated depreciation	131,660
	<hr/>
Total depreciation expense – governmental activities	177,262
	<hr/>
Business type activities:	
Food services	4,395
	<hr/>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Termination benefits	61,361	127,180	34,448	154,093	61,002
Net OPEB liability	-	13,110	-	13,110	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	61,361	140,290	34,448	167,203	61,002
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal years 2008, 2009 and 2010. Eligible employees must have completed at least fifteen years of full-time service to the District and must be at least age 55 on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

For 2010 early retirement benefits are equal to 30,000. Annual payments will be made over three years.

At June 30, 2010, the District has an obligation to six participants with a total liability of \$154,093. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$34,448.

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 covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$167,710, \$157,262, and \$141,525 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 111 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. 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.

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 (ARC) of the District, 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 the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	18,174
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>18,174</u>
Contributions made	<u>5,064</u>
Increase in net OPEB obligation	13,110
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>13,110</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$5,064 to the medical plan. Plan members eligible for benefits contributed \$26,021, or 83.7% of the premium costs.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	18,174	27.9%	13,110

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$167,196, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$167,196. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,144,000, and the ratio of the UAAL to covered payroll was 7.8%. 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 health care 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 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 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 the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$163,420 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. Lease Commitments

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

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
	\$
2011	20,560
2012	20,180
2013	20,180
2014	3,752
	<u>64,672</u>

11. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and Talented	10,960
Teacher salary supplement	20,706
Educator quality, professional development	1,693
Limited English Proficiency	12,272
Core Curriculum	4,310
	<u>49,941</u>

12. Deficit Fund Balance

At June 30, 2010, the District had a \$21,755 deficit unreserved fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,756,472	169,830	2,926,302	2,969,516	2,969,516	(43,214)
State sources	1,394,092	3,812	1,397,904	1,808,043	1,808,043	(410,139)
Federal sources	410,510	96,750	507,260	278,000	278,000	229,260
Total revenues	<u>4,561,074</u>	<u>270,392</u>	<u>4,831,466</u>	<u>5,055,559</u>	<u>5,055,559</u>	<u>(224,093)</u>
Expenditures/Expenses:						
Instruction	3,015,080	-	3,015,080	3,366,445	3,366,445	351,365
Support services	1,227,552	6,302	1,233,854	2,223,146	2,223,146	989,292
Non-instructional programs	-	260,698	260,698	219,360	295,000	34,302
Other expenditures	579,297	-	579,297	774,812	774,812	195,515
Total expenditures/expenses	<u>4,821,929</u>	<u>267,000</u>	<u>5,088,929</u>	<u>6,583,763</u>	<u>6,659,403</u>	<u>1,570,474</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(260,855)	3,392	(257,463)	(1,528,204)	(1,603,844)	1,346,381
Other financing sources net	<u>45</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>45</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(260,810)	3,392	(257,418)	(1,528,204)	(1,603,844)	1,346,426
Balance beginning of year	<u>1,053,511</u>	<u>35,572</u>	<u>1,089,083</u>	<u>1,348,155</u>	<u>1,348,155</u>	<u>(259,072)</u>
Balance end of year	<u><u>792,701</u></u>	<u><u>38,964</u></u>	<u><u>831,665</u></u>	<u><u>(180,049)</u></u>	<u><u>(255,689)</u></u>	<u><u>1,087,354</u></u>

SCHALLER-CRESTLAND 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 Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District adopted one budget amendment during the year increasing its budget by \$75,640.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	167,196	167,196	0.0%	2,144,000	7.8%

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

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity Fund	Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	164,281	48,237	173,000	385,518
Receivables:				
Property tax:				
Delinquent	1,437	-	1,539	2,976
Succeeding year	100,000	-	78,482	178,482
Accounts	-	-	10,491	10,491
Accrued interest	33	8	94	135
Due from other governments	-	-	78,957	78,957
Total assets	265,751	48,245	342,563	656,559
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	1,697	8,689	10,386
Deferred revenue:				
Succeeding year property tax	100,000	-	78,482	178,482
Income surtax	-	-	78,957	78,957
Total liabilities	100,000	1,697	166,128	267,825
Fund balances:				
Unreserved reported in:				
Special revenue funds	165,751	46,548	176,435	388,734
Total liabilities and fund balances	265,751	48,245	342,563	656,559

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity Fund	Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	97,343	-	200,431	297,774
Other	9,863	92,117	17,753	119,733
Federal sources	-	-	1,351	1,351
Total revenues	<u>107,206</u>	<u>92,117</u>	<u>219,535</u>	<u>418,858</u>
Expenditures:				
Current:				
Instruction:				
Regular	35,448	-	-	35,448
Other	-	80,260	-	80,260
Support services:				
Instructional staff	7,000	-	-	7,000
Administration	660	9,229	11,063	20,952
Operation and maintenance of plant services	49,705	-	-	49,705
Transportation	-	-	20,124	20,124
Other expenditures:				
Facilities acquisition	-	-	292,736	292,736
Total expenditures	<u>92,813</u>	<u>89,489</u>	<u>323,923</u>	<u>506,225</u>
Excess (deficiency) of revenues over (under) expenditures	14,393	2,628	(104,388)	(87,367)
Fund balances beginning of year	<u>151,358</u>	<u>43,920</u>	<u>280,823</u>	<u>476,101</u>
Fund balances end of year	<u>165,751</u>	<u>46,548</u>	<u>176,435</u>	<u>388,734</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2010

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	2,606	6,672	9,278
Accounts receivable	98	2,171	2,269
Due from other governments	-	1,165	1,165
Inventories	11,572	-	11,572
Capital assets, net of accumulated depreciation	16,889	-	16,889
Total assets	31,165	10,008	41,173
Liabilities			
Accounts payable	532	768	1,300
Salaries and benefits payable	94	-	94
Deferred revenue	815	-	815
Total liabilities	1,441	768	2,209
Net assets			
Invested in capital assets	16,889	-	16,889
Unrestricted	12,835	9,240	22,075
Total net assets	29,724	9,240	38,964

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

Year ended June 30, 2010

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	100,162	69,571	169,733
Operating expenses:			
Salaries	69,676	57,212	126,888
Benefits	11,096	7,595	18,691
Purchased services	765	9,271	10,036
Supplies	99,837	7,153	106,990
Depreciation	4,395	-	4,395
Total operating expenses	185,769	81,231	267,000
Operating gain (loss)	(85,607)	(11,660)	(97,267)
Non-operating revenues:			
State sources	1,808	2,004	3,812
Federal sources	88,187	8,563	96,750
Interest income	8	89	97
Total non-operating revenues	90,003	10,656	100,659
Change in net assets	4,396	(1,004)	3,392
Net assets beginning of year	25,328	10,244	35,572
Net assets end of year	29,724	9,240	38,964

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Enterprise Funds		
	School Nutrition \$	Daycare \$	Total \$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	101,342	-	101,342
Cash received from daycare services	-	68,648	68,648
Cash payments to employees for services	(80,678)	(64,807)	(145,485)
Cash payments to suppliers for goods or services	(88,418)	(17,063)	(105,481)
Net cash used by operating activities	<u>(67,754)</u>	<u>(13,222)</u>	<u>(80,976)</u>
Cash flows from non-capital financing activities:			
Loan from General Fund	(6,083)	-	(6,083)
State grants received	1,808	2,004	3,812
Federal grants received	74,627	12,879	87,506
Net cash provided by non-capital financing activities	<u>70,352</u>	<u>14,883</u>	<u>85,235</u>
Cash flows from capital and related financing activities	-	-	-
Cash flows from investing activities:			
Interest on investments	8	89	97
Net increase (decrease) in cash and cash equivalents	2,606	1,750	4,356
Cash and cash equivalents at beginning of year	-	4,922	4,922
Cash and cash equivalents at end of year	<u>2,606</u>	<u>6,672</u>	<u>9,278</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(85,607)	(11,660)	(97,267)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	13,560	-	13,560
Depreciation	4,395	-	4,395
Decrease (increase) in inventories	(1,771)	-	(1,771)
Decrease (increase) in accounts receivable	1,417	(923)	494
(Decrease) increase in accounts payable	395	(639)	(244)
(Decrease) increase in salaries and benefits payable	94	-	94
(Decrease) increase in deferred revenue	(237)	-	(237)
Net cash used by operating activities	<u>(67,754)</u>	<u>(13,222)</u>	<u>(80,976)</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
Cross country	128	922	1,049	1
SCCS students	1,720	621	1,344	997
Activity tickets	2,061	1,142	1,931	1,272
Tournaments	1,042	-	505	537
Activity resale	853	1,379	2,040	192
Concession stand	2,586	3,973	4,644	1,915
Speech	698	2,602	2,878	422
Band resale	(822)	1,102	279	1
Basketball boys	511	2,068	2,579	-
Football	(2,630)	10,741	4,561	3,550
Baseball	(911)	1,473	562	-
Boys track	20	3,231	3,251	-
Boys golf	5	379	384	-
Wrestling	5	250	255	-
Girls basketball	257	2,529	2,786	-
Volleyball	1,771	11,146	11,907	1,010
Softball	472	-	472	-
Girls track	22	3,351	3,372	1
Girls golf	20	364	384	-
Class of 2009	135	-	-	135
Class of 2010	1,125	270	975	420
Class of 2011	2,341	2,957	2,858	2,440
Class of 2012	1,304	796	-	2,100
Class of 2013	-	1,156	-	1,156
FFA club	8,473	13,510	14,432	7,551
Cheerleaders	854	581	1,066	369
Student council	1,251	4,275	4,871	655
Middle school student council	2,414	5,064	3,590	3,888
Peerhelpers	300	-	-	300
Teacher soda club school improvement	145	202	143	204
Industrial arts club	4	-	-	4
Annual	10,254	8,467	9,230	9,491
NHS	318	446	764	-
Tatu	12	-	-	12
Dance squad	1,788	5,080	3,895	2,973
K-8 activity	4,700	887	754	4,833
Oliver tractor project	338	836	1,174	-
Shop resale	106	67	54	119
Ed Schramm scholarship	250	250	500	-
Total	<u>43,920</u>	<u>92,117</u>	<u>89,489</u>	<u>46,548</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	2,542,636	2,404,839	2,108,773	2,003,439	1,894,671	1,909,613	1,846,569
Tuition	49,141	58,821	107,730	115,352	76,040	63,905	116,029
Other	164,695	162,369	217,772	218,215	205,049	185,614	158,845
Intermediate sources	-	15,000	-	-	-	7,243	-
State sources	1,394,092	1,787,233	1,955,362	2,103,656	2,013,357	1,853,769	1,687,932
Federal sources	410,510	147,036	139,130	150,331	161,885	172,295	177,364
Total revenues	4,561,074	4,575,298	4,528,767	4,590,993	4,351,002	4,192,439	3,986,739
Expenditures:							
Instruction:							
Regular	2,045,353	2,066,279	1,999,387	1,952,829	1,775,981	1,712,439	1,754,881
Special	349,002	392,626	350,382	345,346	346,354	342,119	446,301
Other	620,725	556,286	431,628	449,753	424,603	443,700	341,820
Support services:							
Student	44,291	44,471	86,669	76,667	92,231	89,577	77,294
Instructional staff	155,061	149,084	126,342	104,547	114,593	84,785	36,097
Administration	480,326	447,824	446,237	442,108	429,347	404,567	509,014
Operation and maintenance	309,559	306,937	326,191	330,410	328,591	343,063	350,241
Transportation	238,315	227,415	235,217	240,616	299,100	203,743	145,031
Other expenditures:							
Facilities acquisition	415,877	186,140	298,670	295,589	175,334	262,146	194,971
AEA flowthrough	163,420	150,332	147,520	147,082	142,346	140,942	144,357
Total expenditures	4,821,929	4,527,394	4,448,243	4,384,947	4,128,480	4,027,081	4,000,007

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA No.</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Direct:			
U.S. Department of Education:			
Rural Education	84.358	S358A091250	29,497
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	17,740
National School Lunch Program (non-cash)	10.555	FY10	13,560
National School Lunch Program	10.555	FY10	56,887
			<u>88,187</u>
Child and Adult Care Food Program	10.558	FY10	8,563
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	48,659
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	21,480
			<u>70,139</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	1,165
Advanced Placement Program	84.330	FY10	280
Improving Teacher Quality State Grants	84.367	FY10	18,770
Grants for State Assessments and Related Activities	84.369	FY10	2,178
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	202,852
Prairie Lakes Area Education Agency 8:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY10	20,484
ARRA - Special Education Grants to States - Recovery Act	84.391	FY10	50,104
			<u>70,588</u>
English Language Acquisition Grants	84.365	FY10	1,525
Iowa Central Community College:			
Career and Technical Education - Basic Grants to States	84.048	FY10	2,056
U.S. Department of Health and Human Services:			
New Opportunities Inc.:			
Head Start	93.600	FY10	28,880
U.S. Department of Homeland Security			
City of Early:			
Disaster Grants - Public Assistance	97.036	FY10	1,351
Subtotal Indirect			<u>496,534</u>
Total			<u>526,031</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Schaller-Crestland Community School District and is presented on 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 Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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

To the Board of Education of
Schaller-Crestland Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 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 Schaller-Crestland Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Schaller-Crestland Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Schaller-Crestland Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 misstatements 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 deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A, 10-II-B and 10-II-C to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 10-II-D to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schaller-Crestland 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.

Schaller-Crestland 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 Schaller-Crestland Community School District's responses and, accordingly, we express no opinion on them.

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

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

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

March 11, 2011

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
Schaller-Crestland Community School District:

Compliance

We have audited Schaller-Crestland Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Schaller-Crestland Community School District's major federal programs for the year ended June 30, 2010. Schaller-Crestland 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 grants applicable to each of its major federal programs is the responsibility of Schaller-Crestland Community School District's management. Our responsibility is to express an opinion on Schaller-Crestland 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 Schaller-Crestland 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 Schaller-Crestland Community School District's compliance with those requirements.

In our opinion, Schaller-Crestland 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

Management of Schaller-Crestland Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Schaller-Crestland Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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 Schaller-Crestland Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weaknesses.

A deficiency in the District's 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 10-III-A to be a material weakness.

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

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

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

March 11, 2011

SCHALLER-CRESTLAND 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 significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Special Education Cluster (IDEA)
 - CFDA Number 84.027 – Special Education Grants to States
 - CFDA Number 84.391 – ARRA - Special Education Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Schaller-Crestland Community School District did not qualify as a low-risk auditee.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal control deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

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

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

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

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

Conclusion: Response accepted.

10-II-D School Expenditure Supporting Documentation and Board Approval: During our testing of District expenditures, we noted three expenditures totaling \$610 that did not have supporting documentation.

Recommendation: All District payments should be supported by detailed invoices or receipts.

District Response: We will obtain detailed supporting documentation for each expenditure.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal control deficiencies:

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants,
Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

10-III-A Allowable costs: ARRA State Fiscal Stabilization program expenditures were not charged directly to specific expense accounts as the expenditures were incurred. ARRA program expenditures were reclassified to ARRA expenditure accounts at year-end.

Recommendation: The District should record federal expenditures to specific federal expenditures accounts as the expenditures are incurred and the District should document administrative approval for the expenditures charged to federal programs.

District Response: We will revise our procedures for recording and documenting ARRA State Fiscal Stabilization expenditures.

Conclusion: Response accepted.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- 10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- 10-IV-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 10-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 10-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Brain Hoepner, board member	Coach	2,500

The transaction does not appear to represent a conflict of interest since the dollar amount did not exceed \$2,500.
- 10-IV-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 10-IV-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 10-IV-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 10-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 10-IV-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 10-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 10-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

10-IV-L Statewide Sales, Services and Use Tax: The District's revenue purpose statement allows the District to use its sales tax revenues for any purposes that are allowable for the Public Education and Recreation property tax levy. The District spent \$56,032 of sales tax proceeds on preschool and after school programs based on its determination that this would be allowable under the Public Education and Recreation property tax levy. The Iowa Department of Education issued Chapter 98 of the Administrative Code during the summer of 2009. Chapter 98 states that preschool and before and after school programs are not allowable expenditures from the Public Educational and Recreational property tax levy.

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

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

	\$	\$
Beginning balance		370,751
Statewide sales, services and use tax		224,877
Interest income		5,743
Expenditures:		
After school program	7,445	
Preschool program	48,587	
Adult education programs	27,221	
School infrastructure:		
Land and land improvements	93,929	
Buildings and building improvements	10,890	
Equipment	37,518	225,590
		<hr/>
Ending balance		<u>375,781</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (continued):

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 1.4913	\$ 224,877

10-IV-M Old outstanding checks: We noted that the District's bank reconciliations included approximately \$1,300 of old outstanding checks. Iowa Code Section 566 specifies that holder's unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

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

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

Conclusion: Response accepted.

10-IV-N Physical Plant and Equipment Levy Fund Expenditures (PPEL): The PPEL property tax levy may be spent to purchase and improve grounds; to construct buildings; to purchase or lease a single unit of equipment or technology exceeding \$500 in value per unit; to repair, remodel improve, or expand buildings; for energy conservation; and to purchase transportation equipment.

The Code of Iowa defines the improvement of grounds to include grading, landscaping, paving, seeding and planting of shrubs and trees; constructing sidewalks, roadways, retaining walls, sewers and storm drains, and installing hydrants; surfacing and soil treatment of athletic fields and tennis courts; exterior lighting, including athletic fields and tennis courts; furnishing and installing flagpoles, gateways, fences and underground storage tanks; demolition work; and special assessments against the school district for public improvements.

We noted that the District used the PPEL Fund to pay \$7,678 for snow removal, \$200 for hood inspections and \$100 for an asbestos conference fee. These items do not appear to be allowable from the PPEL Fund.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund. The General Fund should reimburse the PPEL Fund for these expenditures.

District Response: We will monitor expenditures from the PPEL Fund and make the reimbursement.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (continued):

Conclusion: Response accepted.

10-IV-O Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$100,000. We noted that the Board approved a track capital improvement without holding a public hearing.

Recommendation: The District should hold public hearings for all capital projects with cost in excess of \$100,000.

District Response: We will do this in the future.

Conclusion: Response accepted.

10-IV-P Deficit Balance: The District has a General Fund deficit unreserved fund balance of \$21,755 at June 30, 2010.

Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

District Response: We are working on ways to eliminate this deficit.

Conclusion: Response accepted.