

STANTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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Stanton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
David Brunning	President	2009
Douglas Maher	Vice President	2009
Jeff Magneson	Board Member	2011
Paul Vanderholm	Board Member	2011
Mark Lindgren	Board Member	2009
Board of Education (After September 2009 Election)		
Jeff Magneson	President	2011
Mark Lindgren	Vice President	2013
Brian Bates	Board Member	2013
Paul Vanderholm	Board Member	2011
Jeff Sorenson	Board Member	2013
School Officials		
Judd Ashley	Superintendent	2010
Vicky King	District Secretary	2010
Ahlers & Cooney	Attorney	2010

STANTON COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Stanton Community School District, Stanton, 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 the Stanton Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

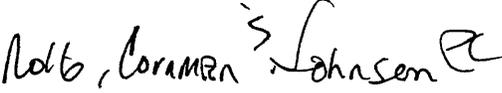
In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2011 on our consideration of the Stanton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports are 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 Findings Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information

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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 an opinion on the financial statements that collectively comprise Stanton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Stanton Community School District annual financial report presents its discussion and analysis of its financial performance during the fiscal year ended June 30, 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.

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,251,513 in fiscal 2009 to \$2,381,941 in fiscal 2010, while General Fund expenditures also increased from \$2,407,368 in fiscal 2009 to \$2,470,000 in fiscal 2010. This resulted in a decrease in the District's Operating Fund (GAAP) balance from \$311,420 in fiscal 2009 to \$223,361 in fiscal 2010, which was a 28.28% decrease from the prior year.
- The increase in General Fund revenues is attributable in part to an increase in local taxes and federal revenue received.
- Numbers of students open enrolling into the Stanton Community School District continue to have a positive impact on miscellaneous income, with the October 2008 count showing 71 students in and 10 out compared to the October 2009 count showing 77.3 students coming into the district and 10 out.
- Statewide Sales and Services Tax revenue of \$124,778 that can be used for infrastructure or major equipment purchases has allowed reallocation of some Operating Fund monies for use in other areas.
- Equipment purchases this fiscal year have included: a new mower and four new smart boards to aid teachers in their classrooms.
- Facility improvements have included new carpet in part of the building, a new roof, and restroom partitions.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Stanton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining

statements provide financial information about activities for which Stanton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

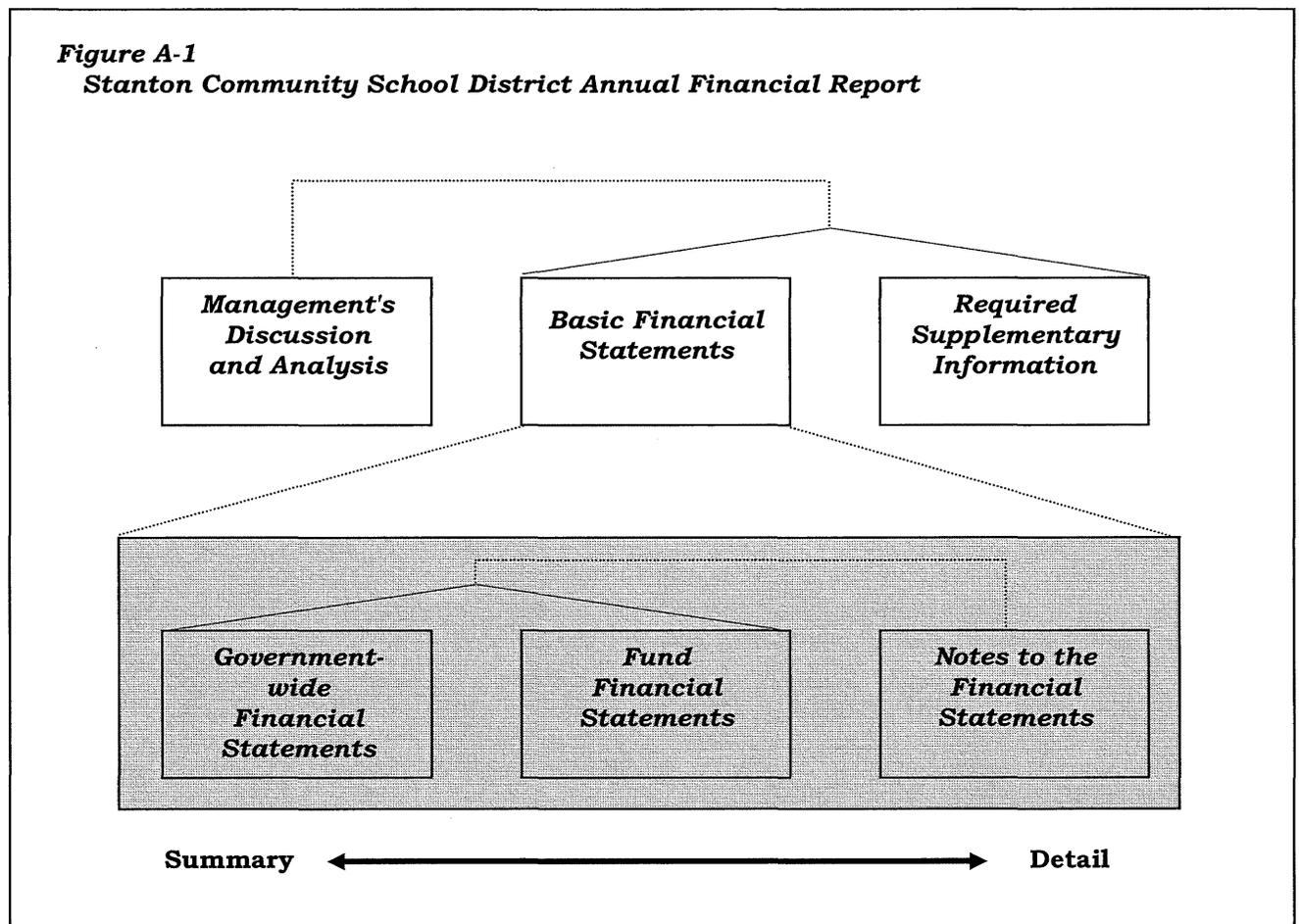


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Figure A-3							Total Change June 30, 2009-10
	Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District			
	June 30,		June 30,		June 30,			
2010	2009	2010	2009	2010	2009			
Current and other assets	\$ 1,807,095	2,097,342	30,782	22,799	1,837,877	2,120,141	-13.31%	
Capital assets	1,277,314	1,225,051	13,170	12,160	1,290,484	1,237,211	4.31%	
Total assets	<u>3,084,409</u>	<u>3,322,393</u>	<u>43,952</u>	<u>34,959</u>	<u>3,128,361</u>	<u>3,357,352</u>	<u>-6.82%</u>	
Long-term liabilities	51,801	0	0	0	51,801	0	100.00%	
Other liabilities	1,059,559	1,278,605	3,014	5,272	1,062,573	1,283,877	-17.24%	
Total liabilities	<u>1,111,360</u>	<u>1,278,605</u>	<u>3,014</u>	<u>5,272</u>	<u>1,114,374</u>	<u>1,283,877</u>	<u>-13.20%</u>	
Net assets:								
Invested in capital assets	1,277,314	1,225,051	13,170	12,160	1,290,484	1,237,211	4.31%	
Restricted	495,839	479,018	0	0	495,839	479,018	3.51%	
Unrestricted	199,896	339,719	27,768	17,527	227,664	357,246	-36.27%	
Total net assets	<u>\$ 1,973,049</u>	<u>2,043,788</u>	<u>40,938</u>	<u>29,687</u>	<u>2,013,987</u>	<u>2,073,475</u>	<u>-2.87%</u>	

The District's combined net assets decreased by 2.87% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 3.51% over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased 36.27% over the prior year.

Figure A-4 illustrates the impact that results of operations had on changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 626,998	570,394	73,620	75,484	700,618	645,878	8.48%
Operating grants and contributions and restricted interest	481,544	333,813	45,972	40,890	527,516	374,703	40.78%
General revenues:							
Property tax	669,806	578,176	0	0	669,806	578,176	15.85%
Income surtax	92,817	95,680	0	0	92,817	95,680	-2.99%
Statewide sales and services tax	124,778	119,221	0	0	124,778	119,221	4.66%
Unrestricted state grants	674,733	819,628	0	0	674,733	819,628	-17.68%
Other	54,702	48,719	335	18	55,037	48,737	12.93%
Transfers	(3,399)	0	3,399	0	0	0	0.00%
Total revenues	<u>2,721,979</u>	<u>2,565,631</u>	<u>123,326</u>	<u>116,392</u>	<u>2,845,305</u>	<u>2,682,023</u>	<u>6.09%</u>
Program expenses:							
Governmental activities:							
Instruction	1,877,767	1,759,918	0	0	1,877,767	1,759,918	6.70%
Support services	766,474	750,025	0	0	766,474	750,025	2.19%
Non-instructional programs	1,450	1,500	112,075	111,985	113,525	113,485	0.04%
Other expenses	147,027	129,166	0	0	147,027	129,166	13.83%
Total expenses	<u>2,792,718</u>	<u>2,640,609</u>	<u>112,075</u>	<u>111,985</u>	<u>2,904,793</u>	<u>2,752,594</u>	<u>5.53%</u>
Changes in net assets	(70,739)	(74,978)	11,251	4,407	(59,488)	(70,571)	-15.70%
Net assets beginning of year	<u>2,043,788</u>	<u>2,118,766</u>	<u>29,687</u>	<u>25,280</u>	<u>2,073,475</u>	<u>2,144,046</u>	<u>-3.29%</u>
Net assets end of year	<u>\$ 1,973,049</u>	<u>2,043,788</u>	<u>40,938</u>	<u>29,687</u>	<u>2,013,987</u>	<u>2,073,475</u>	<u>-2.87%</u>

Property tax, statewide sales and services tax and unrestricted state grants (state aid and instructional support state aid) account for 51.64% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 91.03% of the total expenses.

Governmental Activities

Total revenues for all of the Districts' governmental activities were \$2,721,979, an increase of 6.09% over the prior year. Total expenses for all of the Districts' governmental activities were \$2,792,718, an increase of 5.76% from the prior year

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

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 1,877,767	1,759,918	6.70%	854,122	933,359	-8.49%
Support services	766,474	750,025	2.19%	766,474	750,025	2.19%
Non-instructional programs	1,450	1,500	-3.33%	1,450	1,500	-3.33%
Other expenses	147,027	129,166	13.83%	62,130	51,518	20.60%
Totals	\$ 2,792,718	2,640,609	5.76%	1,684,176	1,736,402	-3.01%

- The cost of all governmental activities this year was \$2,792,718.
- A portion of the cost financed by users of the District's programs was \$626,998.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$481,514.
- The net cost portion of governmental activities was financed with \$669,806 in property tax, \$92,817 in income surtax, \$124,778 in Statewide Sales and Services Tax, \$674,733 in unrestricted state grants and \$9,452 in unrestricted investment earnings.

Business Type Activities

The District's only business type activity is the School Nutrition Fund. Revenues of the District's business type activities totaled \$123,326 in 2010, which is an increase of 5.96% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased less than 1% to \$112,075 for business type activities in 2010.

INDIVIDUAL FUND ANALYSIS

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

As the District completed the year, its governmental funds reported combined net assets of \$661,635, a decrease of \$78,911 from last year's ending fund balances of \$740,546. In General Fund a federal Reap Grant of \$28,693 and a Title IIA Grant of \$9,889 helped fund specific teacher salaries.

Governmental Fund Highlights

- The decrease of \$88,059 in the District's General Fund's net assets compared to the prior year reflects the impact of four years of declining or stagnant enrollment numbers and continued budget cuts passed by state legislature. Open enrollment of students into Stanton from other school districts continues to be beneficial for the District, with 77.3 open enrolled in to Stanton (with 10 out) as of October 2009. Approval of grants also had a positive impact on revenues.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$29,687 in fiscal 2009 to \$40,938 in fiscal 2010, representing an increase of approximately 37.90%.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District’s budget is prepared on a GAAP basis.

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

Legal Budgetary Highlights

- For the 2009-10 fiscal year the District again budgeted on a GAAP basis. The District’s total revenues for all funds were \$2,837,595, compared to the budgeted amount of \$2,811,889, which is \$25,706 or less than 1% over the budgeted amount.
- Total GAAP expenditures for all funds were \$2,908,802, as compared to the budgeted amount of \$3,118,400. The District was successful in efforts to control expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2010, the District had invested governmental funds of \$1,290,484, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, and transportation equipment. (See Figure A-6).

In comparing fiscal 2010 to fiscal 2009, the largest percentage change in capital assets activity occurred in the buildings category. This increase was the result of the purchase of new carpet on other miscellaneous building improvements.

Accumulated depreciation under GASB 34 at year end totaled \$1,357,367. This figure includes \$80,512 for the current year.

The Proprietary, or School Nutrition Fund, has a total of \$13,170, net of accumulated depreciation, invested in capital assets. Excluding depreciation, the District has invested a total of \$50,947 in capital assets.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 52,726	52,726	0	0	52,726	52,726	0.00%
Buildings	1,062,221	1,000,167	0	0	1,062,221	1,000,167	5.84%
Land improvements	65,954	70,699	0	0	65,954	70,699	-7.19%
Machinery and equipment	96,413	101,459	13,170	12,160	109,583	113,619	-3.68%
Total	<u>\$ 1,277,314</u>	<u>1,225,051</u>	<u>13,170</u>	<u>12,160</u>	<u>1,290,484</u>	<u>1,237,211</u>	<u>4.31%</u>

Long-Term Debt

At June 30, 2010, the District had \$51,801 in total long-term debt outstanding. This represents an increase of 100% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
Early retirement	\$ 21,801	0	100.0%
Net OPEB liability	30,000	0	100.0%
Totals	<u>\$ 51,801</u>	<u>0</u>	<u>100.0%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The impact of the world-wide recession and continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes where possible. Due to declining enrollment, the District has not received any new money for the past six years, and the state legislature's rollback in the budget guarantee will continue to have a negative impact on funding for the District.
- Passage of a change in language for use of one cent Local Option Sales and Service Tax monies allowing the District to use these funds to purchase buses and equipment costing over \$500 has proved beneficial for the District to enhance facilities and programs.
- A significant number of students open enrolled into the Stanton School District and relatively few open enrolled out currently has a substantially positive impact on funding. The goal of the District is to continue providing a top quality educational program with high student expectations in all areas so Stanton Community School will continue to be an excellent school where all children can succeed.
- The addition in summer 2005 of the Stanton Child Resource Center in Stanton, a preschool and daycare facility, is an enhancement for the entire community and potentially will lead to an increase in the number of students open enrolled into the school district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

STANTON COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

STANTON COMMUNITY SCHOOL DISTRICT

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 861,744	25,715	887,459
Receivables:			
Property tax:			
Delinquent	8,726	0	8,726
Succeeding year	751,562	0	751,562
Income surtax	85,901	0	85,901
Accounts	120	0	120
Due from other governments	99,042	586	99,628
Inventories	0	4,481	4,481
Capital assets, net of accumulated depreciation	1,277,314	13,170	1,290,484
TOTAL ASSETS	3,084,409	43,952	3,128,361
LIABILITIES			
Accounts payable	82,336	452	82,788
Salaries and benefits payable	225,661	2,085	227,746
Deferred revenue:			
Succeeding year property tax	751,562	0	751,562
Unearned revenue	0	477	477
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	21,801	0	21,801
Portion due after one year:			
Net OPEB liability	30,000	0	30,000
TOTAL LIABILITIES	1,111,360	3,014	1,114,374
NET ASSETS			
Invested in capital assets	1,277,314	13,170	1,290,484
Restricted for:			
Categorical funding	79,366	0	79,366
Capital projects	181,610	0	181,610
Management levy	108,576	0	108,576
Physical plant and equipment levy	40,806	0	40,806
Other special revenue purposes	85,481	0	85,481
Unrestricted	199,896	27,768	227,664
TOTAL NET ASSETS	\$ 1,973,049	40,938	2,013,987

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 1,222,144	396,000	346,622	(479,522)	0	(479,522)
Special	245,726	60,250	38,565	(146,911)	0	(146,911)
Other	409,897	170,748	11,460	(227,689)	0	(227,689)
	<u>1,877,767</u>	<u>626,998</u>	<u>396,647</u>	<u>(854,122)</u>	<u>0</u>	<u>(854,122)</u>
Support services:						
Student	78,171	0	0	(78,171)	0	(78,171)
Instructional staff	10,808	0	0	(10,808)	0	(10,808)
Administration	377,205	0	0	(377,205)	0	(377,205)
Operation and maintenance of plant	188,352	0	0	(188,352)	0	(188,352)
Transportation services	111,938	0	0	(111,938)	0	(111,938)
	<u>766,474</u>	<u>0</u>	<u>0</u>	<u>(766,474)</u>	<u>0</u>	<u>(766,474)</u>
Non-instructional programs	1,450	0	0	(1,450)		(1,450)
Other expenditures:						
Facilities acquisitions	13,467	0	0	(13,467)	0	(13,467)
AEA flowthrough	84,897	0	84,897	0	0	0
Depreciation (unallocated)*	48,663	0	0	(48,663)	0	(48,663)
	<u>147,027</u>	<u>0</u>	<u>84,897</u>	<u>(62,130)</u>	<u>0</u>	<u>(62,130)</u>
Total governmental activities	2,792,718	626,998	481,544	(1,684,176)	0	(1,684,176)
Business Type activities:						
Non-instructional programs:						
Nutrition services	112,075	73,620	45,972	0	7,517	7,517
Total business-type activities	<u>112,075</u>	<u>73,620</u>	<u>45,972</u>	<u>0</u>	<u>7,517</u>	<u>7,517</u>
Total	\$ 2,904,793	700,618	527,516	(1,684,176)	7,517	(1,676,659)
General Revenues and transfers:						
Property tax levied for:						
General purposes				\$ 653,046	0	653,046
Capital outlay				16,760	0	16,760
Income surtax				92,817	0	92,817
Statewide sales and services				124,778	0	124,778
Unrestricted state grants				674,733	0	674,733
Unrestricted investment earnings				9,452	5	9,457
Other				45,250	330	45,580
Transfers				(3,399)	3,399	0
Total general revenues				<u>1,613,437</u>	<u>3,734</u>	<u>1,617,171</u>
Changes in net assets				(70,739)	11,251	(59,488)
Net assets beginning of year				2,043,788	29,687	2,073,475
Net assets end of year				\$ 1,973,049	40,938	2,013,987

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:	\$ 443,190	162,762	255,792	861,744
Receivables:				
Property tax:				
Delinquent	7,974	0	752	8,726
Succeeding year	683,621	0	67,941	751,562
Income surtax	85,901	0	0	85,901
Accounts	0	0	120	120
Due from other governments	47,851	51,191	0	99,042
TOTAL ASSETS	\$ 1,268,537	213,953	324,605	1,807,095
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 49,993	32,343	0	82,336
Salaries and benefits payable	225,661	0	0	225,661
Deferred revenue:				
Succeeding year property tax	683,621	0	67,941	751,562
Income surtax	85,901	0	0	85,901
Total liabilities	1,045,176	32,343	67,941	1,145,460
Fund balances:				
Reserved for:				
Categorical funding	79,366	0	0	79,366
Unreserved:				
Designated for special purpose	14,765	0	0	14,765
Undesignated	129,230	181,610	256,664	567,504
Total fund balances	223,361	181,610	256,664	661,635
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,268,537	213,953	324,605	1,807,095

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	661,635
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,277,314
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		85,901
Long-term liabilities, including other postemployment benefits and early retirement payable are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(51,801)</u>
Net assets of governmental activities (page 18)	\$	<u><u>1,973,049</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 697,919	124,778	56,994	879,691
Tuition	456,250	0	0	456,250
Other	71,347	255	153,848	225,450
State sources	967,248	0	0	967,248
Federal sources	189,029	0	0	189,029
Total revenues	<u>2,381,793</u>	<u>125,033</u>	<u>210,842</u>	<u>2,717,668</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,166,961	17,871	8,428	1,193,260
Special	242,869	0	0	242,869
Other	263,253	0	141,747	405,000
	<u>1,673,083</u>	<u>17,871</u>	<u>150,175</u>	<u>1,841,129</u>
Support services:				
Student	76,476	0	300	76,776
Instructional staff	9,959	0	300	10,259
Administration	361,779	0	10,069	371,848
Operation and maintenance of plant	179,261	8,180	8,817	196,258
Transportation services	84,545	0	6,727	91,272
	<u>712,020</u>	<u>8,180</u>	<u>26,213</u>	<u>746,413</u>
Non-instructional programs	0	0	1,450	1,450
Other expenditures:				
Facilities acquisitions	0	121,834	1,004	122,838
AEA flowthrough	84,897	0	0	84,897
	<u>84,897</u>	<u>121,834</u>	<u>1,004</u>	<u>207,735</u>
Total expenditures	<u>2,470,000</u>	<u>147,885</u>	<u>178,842</u>	<u>2,796,727</u>
Excess(deficiency) of revenues over(under) expenditures	(88,207)	(22,852)	32,000	(79,059)
Other financing sources:				
Sale of equipment	148	0	0	148
Net change in fund balances	(88,059)	(22,852)	32,000	(78,911)
Fund balance beginning of year	311,420	204,462	224,664	740,546
Fund balance end of year	<u>\$ 223,361</u>	<u>181,610</u>	<u>256,664</u>	<u>661,635</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 22) \$ (78,911)

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

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

Capital outlays	\$ 130,386	
Depreciation expense	(78,123)	52,263

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		7,710
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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:

Early retirement payable	(21,801)	
Other postemployment benefits	(30,000)	(51,801)

Changes in net assets of governmental activities (page 19)		\$ (70,739)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 25,715
Due from other governments	586
Inventories	4,481
Capital assets, net of accumulated depreciation	13,170
TOTAL ASSETS	<u>43,952</u>
LIABILITIES	
Accounts payable	452
Salaries and benefits payable	2,085
Unearned revenue	477
TOTAL LIABILITIES	<u>3,014</u>
NET ASSETS	
Invested in capital assets	13,170
Unrestricted	27,768
TOTAL NET ASSETS	<u>\$ 40,938</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School</u> <u>Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 73,620
Miscellaneous	330
TOTAL OPERATING REVENUES	<u>73,950</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	40,126
Benefits	5,559
Services	370
Supplies	63,631
Depreciation	2,389
TOTAL OPERATING EXPENSES	<u>112,075</u>
OPERATING LOSS	<u>(38,125)</u>
NON-OPERATING REVENUES:	
State sources	1,393
Federal sources	44,579
Interest on investments	5
TOTAL NON-OPERATING REVENUES	<u>45,977</u>
Net income before capital contributions	7,852
Capital contributions	<u>3,399</u>
Change in net assets	11,251
Net assets beginning of year	<u>29,687</u>
Net assets end of year	<u>\$ 40,938</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 73,165
Cash received from miscellaneous operating activities	330
Cash payments to employees for services	(46,535)
Cash payments to suppliers for goods or services	(57,854)
Net cash used in operating activities	<u>(30,894)</u>
Cash flows from non-capital financing activities:	
State grants received	1,393
Federal grants received	35,400
Net cash provided by non-capital financing activities	<u>36,793</u>
Cash flows from investing activities:	
Interest on investments	5
Net cash provided by investing activities	<u>5</u>
Net increase in cash and cash equivalents	5,904
Cash and cash equivalents at beginning of year	<u>19,811</u>
Cash and cash equivalents at end of year	<u>\$ 25,715</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (38,125)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,179
Depreciation	2,389
Increase in inventories	(1,493)
Increase in accounts receivable	(586)
Decrease in accounts payable	(953)
Decrease in salaries and benefits payable	(850)
Decrease in unearned revenue	(455)
Net cash used in operating activities	<u>\$ (30,894)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$9,179.

During the year ended June 30, 2010, the Capital Projects Fund contributed capital of \$3,399.

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 49,927
TOTAL ASSETS	<u>49,927</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 49,927</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 200
Interest income	2,011
Total additions	<u>2,211</u>
Deductions:	
Support services:	
Scholarships awarded	1,800
Other	20
Total deductions	<u>1,820</u>
Change in net assets	<u>391</u>
Net assets beginning of year	<u>49,536</u>
Net assets end of year	<u>\$ 49,927</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

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

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

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

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

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

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

As of June 30, 2010, the District had no reportable investments.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools 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%. No ISCAP activity in the General Fund was noted for the year ended June 30, 2010.

During the year ended June 30, 2010, the district paid \$1,718 of interest on 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	\$ 52,726	0	0	52,726
Total capital assets not being depreciated	52,726	0	0	52,726
Capital assets being depreciated:				
Buildings	1,759,261	105,972	0	1,865,233
Land improvements	97,050	0	0	97,050
Machinery and equipment	559,981	24,414	2,500	581,895
Total capital assets being depreciated	2,416,292	130,386	2,500	2,544,178
Less accumulated depreciation for:				
Buildings	759,094	43,918	0	803,012
Land improvements	26,351	4,745	0	31,096
Machinery and equipment	458,522	29,460	2,500	485,482
Total accumulated depreciation	1,243,967	78,123	2,500	1,319,590
Total capital assets being depreciated, net	1,172,325	52,263	0	1,224,588
Governmental activities capital assets, net	\$ 1,225,051	52,263	0	1,277,314
Business type activities:				
Machinery and equipment	\$ 47,548	3,399	0	50,947
Less accumulated depreciation	35,388	2,389	0	37,777
Business type activities capital assets, net	\$ 12,160	1,010	0	13,170

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 5,447
Other		1,003
Support services:		
Instructional staff		549
Administration		701
Operation and maintenance of plant		1,094
Transportation		20,666
		<u>29,460</u>
Unallocated depreciation		<u>48,663</u>
Total depreciation expense - governmental activities		<u>\$ 78,123</u>
Business type activities:		
Food service operations		<u>\$ 2,389</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 0	21,801	0	21,801	21,801
Net OPEB liability	0	30,000	0	30,000	0
	<u>\$ 0</u>	<u>51,801</u>	<u>0</u>	<u>51,801</u>	<u>21,801</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will pay 25% of the employee's contracted base salary in the last year of employment less the employee's share of FICA.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$99,379, \$93,401, and \$86,376, respectively equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 27 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with ISEBA. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's 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	\$ 38,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>38,000</u>
Contributions made	<u>(8,000)</u>
Increase in net OPEB obligation	30,000
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u>\$ 30,000</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 \$17,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% 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:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 38,000	21.05%	\$ 30,000

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 \$175,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$175,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,211,124, and the ratio of the UAAL to covered payroll was 14.45%. 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 event 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 July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$497.07 for single or \$1,242.69 for employee and spouse under the PPO 100 plan and \$456.52 for single and \$1,141.32 for employee and spouse under the PPO 250 plan for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2010 were \$234,363.

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

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

(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 \$84,897 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending balances for categorical funding by project as of June 30, 2010 are as follows:

<u>Project</u>	<u>Amount</u>
Statewide voluntary preschool	\$ 2,858
Gifted and talented	45,169
Teacher quality, market factor	1,903
Educator quality, basic salary	10,549
Educator quality, core curriculum	9,150
Educator quality, professional development	9,737
Total reserved for categorical funding	<u><u>\$ 79,366</u></u>

STANTON COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,561,391	73,955	1,635,346	1,551,594	1,551,594	83,752
State sources	967,248	1,393	968,641	1,162,745	1,162,745	(194,104)
Federal sources	189,029	44,579	233,608	97,550	97,550	136,058
Total revenues	<u>2,717,668</u>	<u>119,927</u>	<u>2,837,595</u>	<u>2,811,889</u>	<u>2,811,889</u>	<u>25,706</u>
Expenditures/Expenses:						
Instruction	1,841,129	0	1,841,129	1,861,738	1,861,738	20,609
Support services	746,413	0	746,413	806,115	806,115	59,702
Non-instructional programs	1,450	112,075	113,525	114,700	114,700	1,175
Other expenditures	207,735	0	207,735	335,847	335,847	128,112
Total expenditures/expenses	<u>2,796,727</u>	<u>112,075</u>	<u>2,908,802</u>	<u>3,118,400</u>	<u>3,118,400</u>	<u>209,598</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(79,059)	7,852	(71,207)	(306,511)	(306,511)	235,304
Other financing sources, net	148	3,399	3,547	0	0	3,547
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(78,911)	11,251	(67,660)	(306,511)	(306,511)	238,851
Balance beginning of year	740,546	29,687	887,820	609,129	609,129	278,691
Balance end of year	<u>\$ 661,635</u>	<u>40,938</u>	<u>820,160</u>	<u>302,618</u>	<u>302,618</u>	<u>517,542</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

STANTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

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	\$ 0	\$ 175,000	\$ 175,000	0.00%	\$ 1,211,124	14.45%

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

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

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 129,840	85,361	40,591	255,792
Receivables:				
Property tax:				
Delinquent	537	0	215	752
Succeeding year	50,000	0	17,941	67,941
Accounts	0	120	0	120
TOTAL ASSETS	\$ 180,377	85,481	58,747	324,605
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 50,000	0	17,941	67,941
Unreserved fund balances	130,377	85,481	40,806	256,664
TOTAL LIABILITIES AND FUND BALANCES	\$ 180,377	85,481	58,747	324,605

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 40,234	0	16,760	56,994
Other	8,319	145,514	15	153,848
TOTAL REVENUES	48,553	145,514	16,775	210,842
EXPENDITURES:				
Current:				
Instruction:				
Regular	8,428	0	0	8,428
Other	0	141,747	0	141,747
Support services:				
Student support	300	0	0	300
Instructional staff	300	0	0	300
Administration	10,069	0	0	10,069
Operation and maintenance of plant	8,817	0	0	8,817
Student transportation	6,727	0	0	6,727
Non-instructional programs				
Food service operations	1,450	0	0	1,450
Other expenditures:				
Facilities acquisitions	0	0	1,004	1,004
TOTAL EXPENDITURES	36,091	141,747	1,004	178,842
EXCESS OF REVENUES OVER EXPENDITURES	12,462	3,767	15,771	32,000
FUND BALANCE BEGINNING OF YEAR	117,915	81,714	25,035	224,664
FUND BALANCE END OF YEAR	\$ 130,377	85,481	40,806	256,664

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Interest on Investments	\$ 0	0	0	0	0
School Play	808	422	351	0	879
Declam	(875)	420	668	0	(1,123)
Musical Events	6,354	6,577	5,757	(97)	7,271
Elementary Music	2,556	2,221	1,612	0	3,165
Band Repair	0	564	531	0	33
Athletic Fundraisers	7,696	3,537	6,809	0	4,424
Cheerleaders	2,216	1,727	901	0	3,042
Drill Team	0	763	644	0	119
Athletics	21,948	48,684	41,149	0	29,483
Class of 2009	0	100	0	0	100
Class of 2010	6,590	6,538	16,527	(3,399)	0
Class of 2011	1,313	9,326	5,579	3,200	1,860
Class of 2012	695	500	0	0	1,195
Class of 2013	430	1,338	777	(199)	1,190
Class of 2014	105	85	14	0	176
Class Gifts	2,322	0	0	0	2,322
Future Farmers	4,056	18,806	19,017	52	3,793
FCCLA	1,099	7,539	8,011	0	627
Math Club	253	0	0	0	253
National Honor Society	210	594	437	0	367
Pep Club	2,001	3,618	2,708	56	2,855
Spanish Club	595	6,869	4,764	0	2,700
Student Council	4,854	943	824	147	4,826
Yearbook	13,471	10,165	9,937	0	13,699
Student Projects	10	1,108	1,112	0	6
Commissary	1,949	8,272	8,518	240	1,463
Elementary Field Trip	30	513	513	0	30
Co-Curricular	1,028	173	599	0	602
FCCLA Fundraiser	0	3,569	3,449	0	120
FCS Student Project	0	543	539	0	4
Total	\$ 81,714	145,514	141,747	0	85,481

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 879,691	790,475	751,980	816,208	812,404	774,478	839,447
Tuition	456,250	412,210	380,232	372,449	416,239	363,162	288,017
Other	225,450	206,903	198,006	191,916	180,176	175,811	199,578
State sources	967,248	1,068,942	1,116,575	1,052,963	987,922	1,037,699	964,363
Federal sources	189,029	84,499	76,880	76,494	83,266	102,547	131,029
Total	\$ 2,717,668	2,563,029	2,523,673	2,510,030	2,480,007	2,453,697	2,422,434
Expenditures:							
Current:							
Instruction:							
Regular	\$ 1,193,260	1,145,466	1,056,816	1,012,520	978,668	914,534	892,927
Special	242,869	209,987	214,238	200,027	191,453	172,608	186,612
Other	405,000	403,357	367,851	383,075	365,349	372,540	349,119
Support services:							
Student	76,776	71,796	67,487	62,527	59,583	57,849	58,727
Instructional staff	10,259	18,769	18,386	17,688	9,940	6,294	9,633
Administration	371,848	356,386	344,131	353,439	352,493	336,369	291,741
Operation and maintenance of plant	196,258	192,832	190,929	182,726	184,976	164,924	173,358
Transportation	91,272	112,779	109,609	140,754	114,529	145,957	69,617
Central	0	0	0	0	0	0	9,162
Non-instructional programs	1,450	1,500	1,278	1,005	875	2,075	2,518
Other expenditures:							
Facilities acquisitions	122,838	105,565	98,372	33,880	21,018	6,844	49,206
Long-term debt:							
Principal	0	0	0	105,000	100,000	95,000	95,000
Interest and other charges	0	0	0	4,915	9,165	13,155	16,998
AEA flow-through	84,897	77,648	75,545	73,735	71,333	72,446	72,998
Total	\$ 2,796,727	2,696,085	2,544,642	2,571,291	2,459,382	2,360,595	2,277,616

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stanton Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 14, 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 Stanton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Stanton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Stanton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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, we identified certain deficiencies in internal control over financial reporting that 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 on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a material weakness.

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 I of the accompanying Schedule of Findings as items I-B-10, I-C-10, and I-D-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stanton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Stanton Community School District and other parties to whom Stanton Community School District may report, including federal awarding agencies and pass-through entities, 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 Stanton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman, Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 14, 2011

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-10 Activity Admissions - It was noted during our audit that the District doesn't always utilize pre-numbered tickets for all events that require admission.

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

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

g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.

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

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

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

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

Conclusion - Response accepted.

I-C-10 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

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

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

Conclusion - Response accepted.

I-D-10 Mileage Reimbursement - We noted during our audit an instance of District employees receiving a different rate for mileage reimbursements than stated in the District's board policies.

Recommendation - The District should ensure that actual reimbursement rates match the rates established and authorized by the Board.

Response - All employees will receive the Board approved rate of 25 cents per mile.

Conclusion - Response accepted.

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.
- II-B-10 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.
- II-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Larry Watson, Bus Driver Snow plowing	Snow removal service	\$1,785

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the employee do not appear to represent a conflict of interest.

- II-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board
- II-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-10 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-10 Categorical Funding- No instances were noted of the District using categorical funding to supplant rather than supplement other funds.
- II-L-10 Statewide Sales, Services and Use Tax- No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include

certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	0
Statewide sales, services and use tax		124,778
Expenditures/transfers out:		
School infrastructure:		
Buildings		124,778
Ending balance	\$	0

There was no tax reduction as a result of the statewide sales, services and use tax received during the year ended June 30, 2010.

II-M-10 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

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

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

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

Conclusion - Response accepted.

II-N-10 Financial Condition - At the year ended June 30, 2010, the Decalm account within the Student Activity Fund was a deficit \$1,123.

Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate the deficit.

Response - The District will consider ways to eliminate the Decalm account deficit.

Conclusion - Response accepted.

