

CRESTON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

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Creston Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Rich Flynn	President	2013
Chad Briley	Vice President	2011
Kevin Scadden	Board Member	2013
Brian Strider	Board Member (Resigned April 2011)	2011
Tammy Kavanaugh	Board Member	2011
Rick Fyock	Board Member (Appointed April 2011)	2011
School Officials		
Tim Hood	Superintendent	2011
Donald M. Krings	Board Secretary/ Business Manager (Resigned October 2010)	2011
Roy Stroud	Board Secretary/ Business Manager (Appointed November 2010)	2011
Pat Moeller	District Treasurer	2011
Gruhn Law Firm	Attorney	2011

CRESTON COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Creston Community School District, Creston, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Creston Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2012 on our consideration of Creston Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Creston Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Creston Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,482,933 in fiscal 2010 to \$14,370,000 in fiscal 2011, while General Fund expenditures increased from \$13,460,682 in fiscal 2010 to \$13,738,764 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$1,587,625 in fiscal 2010 to a balance of \$2,218,861 in fiscal 2011, a 39.76% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in the funding received from all sources. The increase in expenditures can be attributed to the increase in expenditures in the instructional and support services functions.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

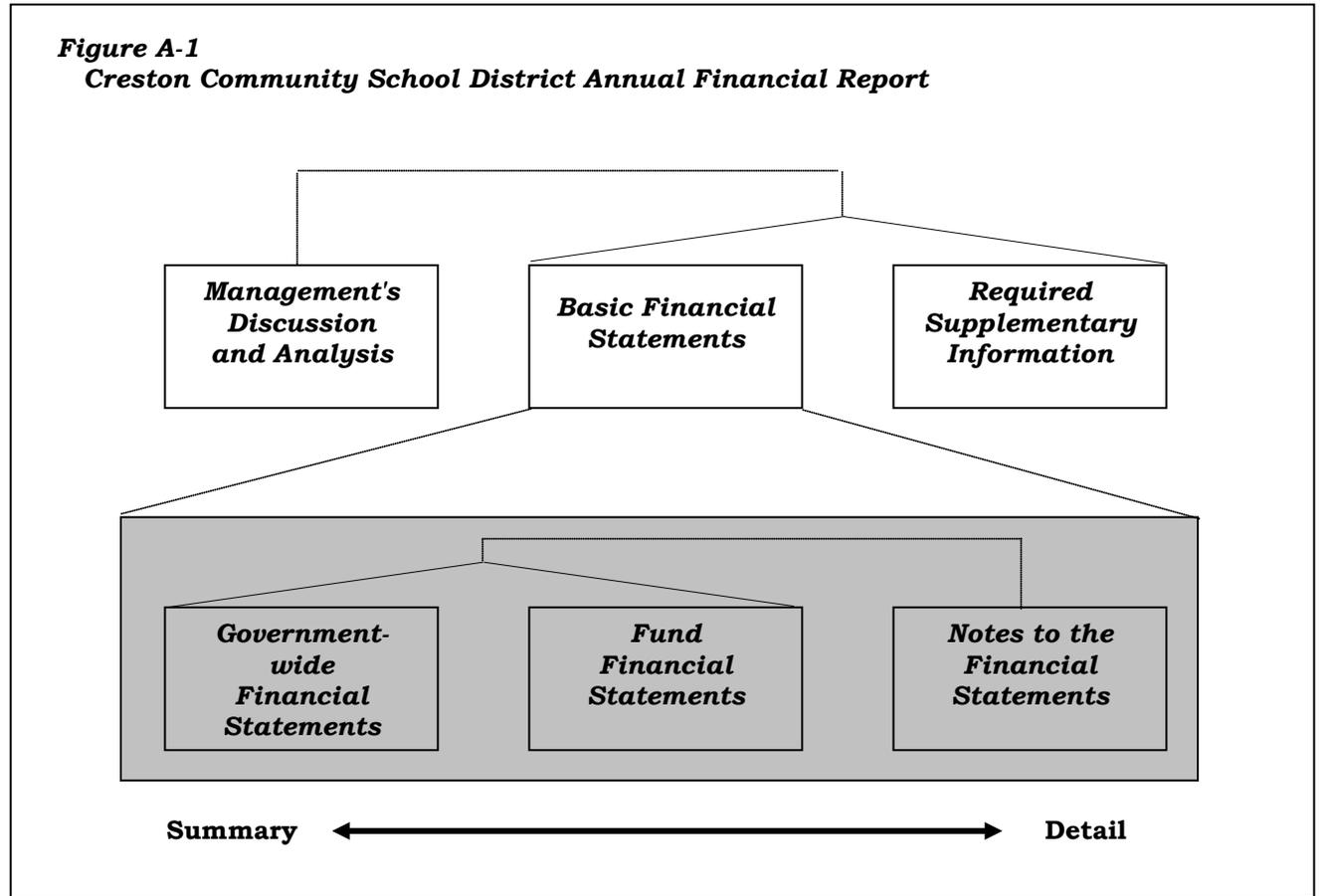


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
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
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
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
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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 17,414,261	10,099,718	319,685	260,399	17,733,946	10,360,117	71.18%
Capital assets	21,101,883	20,457,308	183,125	209,711	21,285,008	20,667,019	2.99%
Total assets	38,516,144	30,557,026	502,810	470,110	39,018,954	31,027,136	25.76%
Long-term obligations	17,874,049	11,305,282	682	1,518	17,874,731	11,306,800	58.09%
Other liabilities	6,225,044	6,523,989	44,493	54,541	6,269,537	6,578,530	-4.70%
Total liabilities	24,099,093	17,829,271	45,175	56,059	24,144,268	17,885,330	34.99%
Net assets:							
Invested in capital assets, net of related debt	10,859,327	9,627,308	183,125	209,711	11,042,452	9,837,019	12.25%
Restricted	1,740,015	2,036,834	0	0	1,740,015	2,036,834	-14.57%
Unrestricted	1,817,709	1,063,613	274,510	204,340	2,092,219	1,267,953	65.01%
Total net assets	\$ 14,417,051	12,727,755	457,635	414,051	14,874,686	13,141,806	13.19%

The District's combined net assets increased by 13.19% or approximately \$1,732,880 over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased \$296,819 or 14.57% over the prior year. The decrease in restricted fund balance is mainly attributable to the decrease in fund balance of the Capital Projects Fund accounts.

Unrestricted net assets- the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirements-increased \$824,266 or 65.01%. The increase in unrestricted net assets was due mainly to the increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 1,007,892	1,027,153	304,742	290,023	1,312,634	1,317,176	-0.34%
Operating grants and contributions and restricted interest	2,240,770	3,749,658	454,504	428,427	2,695,274	4,178,085	-35.49%
Capital grants and contributions and restricted interest	29,151	337,550	0	0	29,151	337,550	-91.36%
General revenues:							
Local tax	4,919,147	4,697,090	0	0	4,919,147	4,697,090	4.73%
Statewide sales, services and use tax	1,124,135	1,184,831	0	0	1,124,135	1,184,831	-5.12%
Unrestricted state grants	7,089,585	5,312,259	0	0	7,089,585	5,312,259	33.46%
Nonspecific program federal grants	436,826	0	0	0	436,826	0	100.00%
Other	359,910	198,303	3,769	23,674	363,679	221,977	63.84%
Total revenues	17,207,416	16,506,844	763,015	742,124	17,970,431	17,248,968	4.18%
Program expenses:							
Governmental activities:							
Instructional	9,362,111	9,625,765	0	871	9,362,111	9,626,636	-2.75%
Support services	4,392,337	4,102,488	99,002	94,970	4,491,339	4,197,458	7.00%
Non-instructional programs	0	0	620,429	619,783	620,429	619,783	0.10%
Other expenses	1,763,672	2,737,739	0	0	1,763,672	2,737,739	-35.58%
Total expenses	15,518,120	16,465,992	719,431	715,624	16,237,551	17,181,616	-5.49%
Change in net assets	1,689,296	40,852	43,584	26,500	1,732,880	67,352	2472.87%
Net assets beginning of year	12,727,755	12,686,903	414,051	387,551	13,141,806	13,074,454	0.52%
Net assets end of year	\$ 14,417,051	12,727,755	457,635	414,051	14,874,686	13,141,806	13.19%

Local tax and unrestricted state grants account for 69.79% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.51% of the revenue from business type activities.

The District's total revenues were approximately \$17.97 million of which approximately \$17.21 million was for governmental activities and approximately \$0.76 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.18% increase in revenues and a 5.49% decrease in expenses. Local tax increased \$222,057 to fund expenditures. The decrease in expenses related to decreases in expenditures in the instructional and other expenses functions.

Governmental Activities

Revenues for governmental activities were \$17,207,416 and expenses were \$15,518,120.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
	Instruction	\$ 9,362,111	9,625,765	-2.82%	6,759,725	5,513,748
Support services	4,392,337	4,102,488	6.60%	4,283,159	3,954,519	7.67%
Other expenses	1,763,672	2,737,739	-55.23%	1,197,423	1,883,364	-57.28%
Totals	<u>\$ 15,518,120</u>	<u>16,465,992</u>	<u>-6.11%</u>	<u>12,240,307</u>	<u>11,351,631</u>	<u>7.26%</u>

- The cost financed by users of the District’s programs was \$1,007,892.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,269,921.
- The net cost of governmental activities was financed with \$4,919,147 in local tax, \$1,124,135 in statewide sales, services and use tax, \$7,089,585 in unrestricted state grants, \$436,826 in nonspecific program federal grants, \$27,750 in interest income and \$332,160 in other general revenues.

Business type Activities

Revenues of the District’s business type activities were \$763,015 and expenses were \$719,431. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$11,177,754, above last year’s ending fund balances of a \$3,533,042. The main reason for the increase in combined fund balances can be attributed to the increase in fund balance for the Debt Service Fund. This increase was a result the District issuing \$7,545,000 in general obligation refunding bonds, which will be used to retire the general obligation bonds dated May 1, 2002.

Governmental Fund Highlights

- The District’s improving General Fund financial position is the product of many factors. An increase in the amount of funding from the state during the year led to an increase in fund revenues. The increase in expenditures can be attributed to the increase in expenditures in the instructional and support services functions. Revenues increased \$887,067 and expenditures increased \$278,082 as compared to the previous year.
- The Capital Projects Accounts balance decreased from a restated balance of \$1,505,811 at the beginning of the fiscal year 2011 to \$1,221,397. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The decrease was the result of the new roofs at the High School and Early Childcare Center.

- The Debt Service Fund balance increased during the current year, from \$108,099 to \$7,372,444. This was the result of the September 1, 2010 general obligation bond issuance to retire general obligation bonds dated May 1, 2002.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$414,051 at June 30, 2010 to \$457,635 at June 30, 2011, representing an increase of 10.53%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$211,759 less than budgeted revenues, a variance of 1.16%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$21,285,008, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.99% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$718,597.

The original cost of the District's capital assets was \$31,478,044. Governmental funds account for \$30,912,493 with \$565,551 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2010, compared to \$738,982 reported at June 30, 2011. This increase can be attributed to the District beginning the replacement of the Early Childcare Center's roof.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 155,965	155,965	0	0	155,965	155,965	0.00%
Construction in progress	738,982	0	0	0	738,982	0	100.00%
Buildings	19,195,480	19,303,036	0	0	19,195,480	19,303,036	-0.56%
Land improvements	615,316	660,120	0	0	615,316	660,120	-6.79%
Machinery and equipment	396,140	338,187	183,125	209,711	579,265	547,898	5.72%
Total	\$ 21,101,883	20,457,308	183,125	209,711	21,285,008	20,667,019	2.99%

Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$17,874,731 in general obligation bonds, capital loan notes and other long-term debt. This represents an increase of approximately 58.09% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$16,955,000 at June 30, 2011.

The District had total outstanding capital loan notes payable of \$660,000 at June 30, 2011.

The District had total outstanding early retirement payable of \$190,731 at June 30, 2011.

The District had other postemployment benefits payable of \$69,000.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 16,955,000	10,020,000	0	0	16,955,000	10,020,000	69.21%
Capital loan notes	660,000	810,000	0	0	660,000	810,000	-18.52%
Early retirement	190,731	331,365	0	0	190,731	331,365	-42.44%
Net OPEB liability	68,318	143,917	682	1,518	69,000	145,435	-52.56%
Total	\$ 17,874,049	11,305,282	682	1,518	17,874,731	11,306,800	58.09%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2011 IPERS implemented an employers' contribution increase to 8.07%. This will increase the Creston Community Schools employer benefit costs in future years.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roy Stroud, District Business Manager, Creston Community School District, 801 N Elm, Creston, Iowa, 50801.

CRESTON COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 11,381,124	292,203	11,673,327
Receivables:			
Property tax:			
Delinquent	57,369	0	57,369
Succeeding year	4,780,752	0	4,780,752
Income surtax	116,358	0	116,358
Accounts	900	0	900
Due from other governments	1,077,758	4,485	1,082,243
Inventories	0	22,997	22,997
Capital assets, net of accumulated depreciation	21,101,883	183,125	21,285,008
Total Assets	38,516,144	502,810	39,018,954
Liabilities			
Accounts payable	24,463	751	25,214
Salaries and benefits payable	1,314,888	36,459	1,351,347
Interest payable	104,941	0	104,941
Deferred revenue:			
Succeeding year property tax	4,780,752	0	4,780,752
Unearned revenue	0	7,283	7,283
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	640,000	0	640,000
Capital loan notes	155,000	0	155,000
Early retirement	165,709	0	165,709
Portion due after one year:			
General obligation bonds	16,315,000	0	16,315,000
Capital loan notes	505,000	0	505,000
Early retirement	25,022	0	25,022
Net OPEB liability	68,318	682	69,000
Total Liabilities	24,099,093	45,175	24,144,268
Net Assets			
Invested in capital assets, net of related debt	10,859,327	183,125	11,042,452
Restricted for:			
Categorical funding	340,845	0	340,845
School infrastructure	831,586	0	831,586
Physical plant and equipment	389,811	0	389,811
Management levy purposes	45,670	0	45,670
Student activities	132,103	0	132,103
Unrestricted	1,817,709	274,510	2,092,219
Total Net Assets	\$ 14,417,051	457,635	14,874,686

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Capital Grants,	Govern- mental Activities	Business Type Activities	Total
		for Services	and Restricted Interest	and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 5,924,514	556,528	241,493	0	(5,126,493)	0	(5,126,493)
Special	1,756,112	240,581	267,732	0	(1,247,799)	0	(1,247,799)
Other	1,681,485	210,647	1,085,405	0	(385,433)	0	(385,433)
	<u>9,362,111</u>	<u>1,007,756</u>	<u>1,594,630</u>	<u>0</u>	<u>(6,759,725)</u>	<u>0</u>	<u>(6,759,725)</u>
Support services:							
Student	374,486	0	0	0	(374,486)	0	(374,486)
Instructional staff	485,480	0	67,351	0	(418,129)	0	(418,129)
Administration	1,614,081	0	0	0	(1,614,081)	0	(1,614,081)
Operation and maintenance of plant	1,388,701	0	0	29,151	(1,359,550)	0	(1,359,550)
Transportation	529,589	136	12,540	0	(516,913)	0	(516,913)
	<u>4,392,337</u>	<u>136</u>	<u>79,891</u>	<u>29,151</u>	<u>(4,283,159)</u>	<u>0</u>	<u>(4,283,159)</u>
Other expenses:							
Long-term debt interest	636,152	0	0	0	(636,152)	0	(636,152)
AEA flowthrough	566,249	0	566,249	0	0	0	0
Depreciation(unallocated)*	561,271	0	0	0	(561,271)	0	(561,271)
	<u>1,763,672</u>	<u>0</u>	<u>566,249</u>	<u>0</u>	<u>(1,197,423)</u>	<u>0</u>	<u>(1,197,423)</u>
Total governmental activities	15,518,120	1,007,892	2,240,770	29,151	(12,240,307)	0	(12,240,307)
Business Type activities:							
Support services:							
Administration	88,318	0	0	0	0	(88,318)	(88,318)
Operation and maintenance of plant	10,684	0	0	0	0	(10,684)	(10,684)
Total support services	<u>99,002</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(99,002)</u>	<u>(99,002)</u>
Non-instructional programs:							
Nutrition services	620,429	304,742	454,504	0	0	138,817	138,817
Total business type activities	<u>719,431</u>	<u>304,742</u>	<u>454,504</u>	<u>0</u>	<u>0</u>	<u>39,815</u>	<u>39,815</u>
Total	<u>\$ 16,237,551</u>	<u>1,312,634</u>	<u>2,695,274</u>	<u>29,151</u>	<u>(12,240,307)</u>	<u>39,815</u>	<u>(12,200,492)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 3,976,672	0	3,976,672	
Debt service				617,261	0	617,261	
Capital outlay				203,859	0	203,859	
Income surtax				121,355	0	121,355	
Statewide sales, services and use tax				1,124,135	0	1,124,135	
Unrestricted state grants				7,089,585	0	7,089,585	
Nonspecific program federal grants				436,826	0	436,826	
Unrestricted investment earnings				27,750	621	28,371	
Other				332,160	3,148	335,308	
Total general revenues				<u>13,929,603</u>	<u>3,769</u>	<u>13,933,372</u>	
Changes in net assets				1,689,296	43,584	1,732,880	
Net assets beginning of year				12,727,755	414,051	13,141,806	
Net assets end of year				<u>\$ 14,417,051</u>	<u>457,635</u>	<u>14,874,686</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 2,626,147	1,019,846	7,365,382	369,703	11,381,078
Receivables:					
Property tax:					
Delinquent	44,811	2,330	7,062	3,166	57,369
Succeeding year	3,700,919	203,043	615,291	261,499	4,780,752
Income surtax	0	116,358	0	0	116,358
Accounts	900	0	0	0	900
Due from other funds	0	46,148	0	0	46,148
Due from other governments	878,537	199,221	0	0	1,077,758
Total Assets	\$ 7,251,314	1,586,946	7,987,735	634,368	17,460,363
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ 0	46,148	0	0	46,148
Accounts payable	16,646	0	0	7,817	24,463
Salaries and benefits payable	1,314,888	0	0	0	1,314,888
Deferred revenue:					
Succeeding year property tax	3,700,919	203,043	615,291	261,499	4,780,752
Income surtax	0	116,358	0	0	116,358
Total liabilities	5,032,453	365,549	615,291	269,316	6,282,609
Fund balances:					
Restricted for:					
Categorical funding	340,845	0	0	0	340,845
School infrastructure	0	831,586	0	0	831,586
Physical plant and equipment	0	389,811	0	0	389,811
Debt service	0	0	7,372,444	0	7,372,444
Management levy purposes	0	0	0	236,401	236,401
Student activities	0	0	0	132,103	132,103
Assigned for special purposes	99,031	0	0	0	99,031
Unassigned:					
General	1,778,985	0	0	0	1,778,985
Student activities	0	0	0	(3,452)	(3,452)
Total fund balances	2,218,861	1,221,397	7,372,444	365,052	11,177,754
Total Liabilities and Fund Balances	\$ 7,251,314	1,586,946	7,987,735	634,368	17,460,363

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$ 11,177,754
<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.	21,101,883
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(104,941)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	116,358
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	46
Long-term liabilities, including bonds payable, capital loan notes payable, early retirement and other postemployment benefits are not due and payable in the current period and, are not reported as liabilities in the governmental funds.	<u>(17,874,049)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 14,417,051</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,714,232	1,449,424	617,261	262,440	6,043,357
Tuition	725,932	0	0	0	725,932
Other	351,800	54,486	20,851	405,477	832,614
State sources	8,285,862	116	352	157	8,286,487
Federal sources	1,291,934	27,167	0	0	1,319,101
Total revenues	<u>14,369,760</u>	<u>1,531,193</u>	<u>638,464</u>	<u>668,074</u>	<u>17,207,491</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,931,982	0	0	169,524	6,101,506
Special	1,798,482	0	0	0	1,798,482
Other	1,268,474	0	0	398,840	1,667,314
	<u>8,998,938</u>	<u>0</u>	<u>0</u>	<u>568,364</u>	<u>9,567,302</u>
Support services:					
Student	377,289	0	0	0	377,289
Instructional staff	493,414	63,019	0	0	556,433
Administration	1,505,652	0	36,148	10,744	1,552,544
Operation and maintenance of plant	1,297,770	0	0	55,421	1,353,191
Transportation	499,452	30,090	0	0	529,542
	<u>4,173,577</u>	<u>93,109</u>	<u>36,148</u>	<u>66,165</u>	<u>4,368,999</u>
Other expenditures:					
Facilities acquisitions	0	1,175,843	0	0	1,175,843
Long-term debt:					
Principal	0	0	760,000	0	760,000
Interest and fiscal charges	0	0	615,335	0	615,335
AEA flowthrough	566,249	0	0	0	566,249
	<u>566,249</u>	<u>1,175,843</u>	<u>1,375,335</u>	<u>0</u>	<u>3,117,427</u>
Total expenditures	<u>13,738,764</u>	<u>1,268,952</u>	<u>1,411,483</u>	<u>634,529</u>	<u>17,053,728</u>
Excess(deficiency) of revenues over(under) expenditures	630,996	262,241	(773,019)	33,545	153,763
Other financing sources(uses):					
Transfers in	0	0	546,655	0	546,655
Transfers out	0	(546,655)	0	0	(546,655)
Refunding bond issuance	0	0	7,545,000	0	7,545,000
Discount on bond issuance	0	0	(54,291)	0	(54,291)
Sale of equipment	240	0	0	0	240
Total other financing sources(uses)	<u>240</u>	<u>(546,655)</u>	<u>8,037,364</u>	<u>0</u>	<u>7,490,949</u>
Net change in fund balances	631,236	(284,414)	7,264,345	33,545	7,644,712
Fund balance beginning of year, as restated	<u>1,587,625</u>	<u>1,505,811</u>	<u>108,099</u>	<u>331,507</u>	<u>3,533,042</u>
Fund balance end of year	<u>\$ 2,218,861</u>	<u>1,221,397</u>	<u>7,372,444</u>	<u>365,052</u>	<u>11,177,754</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 7,644,712

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

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

Capital outlays	\$ 1,330,856	
Depreciation expense	<u>(686,281)</u>	644,575

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Current year long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of issues are as follows:

Issued	(7,545,000)	
Repaid	<u>760,000</u>	(6,785,000)

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

(20,817)

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

(75)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.

(10,332)

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

Early retirement	140,634	
Other postemployment benefits	<u>75,599</u>	<u>216,233</u>

Changes in net assets of governmental activities(page 19) \$ 1,689,296

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business Type Activities: School Nutrition	Governmental Activities: Internal Service
ASSETS		
Current assets:		
Cash and pooled investments	\$ 292,203	46
Due from other governments	4,485	0
Inventories	22,997	0
Total current assets	<u>319,685</u>	<u>46</u>
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	183,125	0
Total non-current assets	<u>183,125</u>	<u>0</u>
TOTAL ASSETS	<u>502,810</u>	<u>46</u>
LIABILITIES		
Current liabilities:		
Accounts payable	751	0
Salaries and benefits payable	36,459	0
Unearned revenue	7,283	0
Total current liabilities	<u>44,493</u>	<u>0</u>
Long-term liabilities:		
Net OPEB liability	682	0
Total long-term liabilities	<u>682</u>	<u>0</u>
TOTAL LIABILITIES	<u>45,175</u>	<u>0</u>
NET ASSETS		
Invested in capital assets	183,125	0
Unrestricted	274,510	46
TOTAL NET ASSETS	<u>\$ 457,635</u>	<u>46</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business Type Activities: School Nutrition	Governmental Activities: Internal Service
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 304,742	0
Miscellaneous	3,148	876,636
TOTAL OPERATING REVENUES	307,890	876,636
OPERATING EXPENSES:		
Support services:		
Administration:		
Salaries	68,226	0
Benefits	18,769	0
Services	1,323	0
	<u>88,318</u>	<u>0</u>
Operation and maintenance of plant:		
Services	10,684	0
Total support services	99,002	0
Non-instructional programs:		
Food service operations:		
Salaries	207,676	0
Benefits	40,651	0
Services	10,021	0
Supplies	328,625	0
Other	1,140	0
Depreciation	32,316	0
	<u>620,429</u>	<u>0</u>
Other enterprise operations:		
Benefits	0	887,014
Total non-instructional programs	620,429	887,014
TOTAL OPERATING EXPENSES	719,431	887,014
OPERATING LOSS	(411,541)	(10,378)
NON-OPERATING REVENUES:		
Interest	621	46
State sources	6,514	0
Federal sources	447,990	0
TOTAL NON-OPERATING REVENUES	455,125	46
Change in net assets	43,584	(10,332)
Net assets at beginning of year	414,051	10,378
Net assets end of year	<u>\$ 457,635</u>	<u>46</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business Type Activities:	Governmental Activities:
	School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 304,888	0
Cash received from miscellaneous operating activities	3,148	876,636
Cash payments to employees for services	(347,103)	(887,014)
Cash payments to suppliers for goods or services	(320,698)	0
Net cash used in operating activities	<u>(359,765)</u>	<u>(10,378)</u>
Cash flows from non-capital financing activities:		
State grants received	6,514	0
Federal grants received	417,177	0
Net cash provided by non-capital financing activities	<u>423,691</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	621	46
Cash flows from capital financing activities:		
Purchase of assets	(5,730)	0
Net increase(decrease) in cash and cash equivalents	58,817	(10,332)
Cash and cash equivalents at beginning of year	233,386	10,378
Cash and cash equivalents at end of year	<u>\$ 292,203</u>	<u>46</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (411,541)	(10,378)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	30,464	0
Depreciation	32,316	0
Increase in inventories	(120)	0
Increase in accounts payable	751	0
Decrease in salaries and benefits payable	(10,945)	0
Increase in unearned revenue	146	0
Decrease in other postemployment benefits	(836)	0
Net cash used in operating activities	<u>\$ (359,765)</u>	<u>(10,378)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$30,464.

SEE NOTES TO FINANCIAL STATEMENTS.

CRESTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following non-major proprietary funds:

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

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - restricted and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

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

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

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

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

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

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

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

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

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, 2011 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and

instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,317,906 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects: Statewide Sales, Services and Use Tax	
Debt Service		\$ 370,000
	Capital Projects: Physical Plant and Equipment Levy	
Debt Service		176,655
Total		<u>\$ 546,655</u>

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

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

(4) Due From and Due to Other Funds

At June 30, 2011 the interfund receivable and payable consisted of the following:

Receivable Fund	Payable Fund	Amount
Capital Projects: Physical Plant and Equipment Levy	Capital Projects: Statewide Sales, Services and Use Tax	
		\$ 46,148

The Capital Projects: Statewide Sales, Services and Use Tax is repaying the Capital Projects: Physical Plant and Equipment Levy Funds for money receipted into the wrong fund.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 155,965	0	0	155,965
Construction in progress	0	738,982	0	738,982
Total capital assets not being depreciated	<u>155,965</u>	<u>738,982</u>	<u>0</u>	<u>894,947</u>
Capital assets being depreciated:				
Buildings	25,980,414	408,911	0	26,389,325
Land improvements	1,452,782	0	0	1,452,782
Machinery and equipment	2,012,414	182,963	19,938	2,175,439
Total capital assets being depreciated	<u>29,445,610</u>	<u>591,874</u>	<u>19,938</u>	<u>30,017,546</u>
Less accumulated depreciation for:				
Buildings	6,677,378	516,467	0	7,193,845
Land improvements	792,662	44,804	0	837,466
Machinery and equipment	1,674,227	125,010	19,938	1,779,299
Total accumulated depreciation	<u>9,144,267</u>	<u>686,281</u>	<u>19,938</u>	<u>9,810,610</u>
Total capital assets being depreciated, net	<u>20,301,343</u>	<u>(94,407)</u>	<u>0</u>	<u>20,206,936</u>
Governmental activities capital assets, net	<u>\$ 20,457,308</u>	<u>644,575</u>	<u>0</u>	<u>21,101,883</u>
Business type activities:				
Machinery and equipment	\$ 559,821	5,730	0	565,551
Less accumulated depreciation	350,110	32,316	0	382,426
Business type activities capital assets, net	<u>\$ 209,711</u>	<u>(26,586)</u>	<u>0</u>	<u>183,125</u>
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 6,534
Other				17,741
Support services:				
Instructional staff				24,389
Administration				9,608
Operation and maintenance of plant				3,794
Transportation				62,944
				<u>125,010</u>
Unallocated depreciation				<u>561,271</u>
Total governmental activities depreciation expense				<u>\$ 686,281</u>
Business type activities:				
Food services				<u>\$ 32,316</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation	\$ 10,020,000	7,545,000	610,000	16,955,000	640,000
Capital loan notes	810,000	0	150,000	660,000	155,000
Early retirement	331,365	50,043	190,677	190,731	165,709
Net OPEB liability	143,917	0	75,599	68,318	0
Total	\$ 11,305,282	7,595,043	1,026,276	17,874,049	960,709
Business Type Activities:					
Net OPEB liability	\$ 1,518	0	836	682	0

General Obligation

On September 1, 2010 the District issued \$7,545,000 of general obligation refunding bonds, with interest rates ranging from 1.00% to 3.00%, for a crossover refunding of a portion of the general obligation bonds issued May 1, 2002. The District entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. Securities. The securities along with additional cash were placed in an escrow account for the express purpose of paying the \$7,230,000 principal of the refunded general obligation bonds when they become callable on May 1, 2012 and the interest from November 1, 2010 to and including May 1, 2012. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished. The present value savings of the crossover refunding is \$606,132.

Details of the District's June 30, 2011 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 1, 2002			Bond Issue of May 1, 2003		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2012	5.25	% \$ 555,000	376,015	5.20	% \$ 85,000	70,090
2013	4.40	580,000	346,877	3.75	90,000	65,670
2014	4.50	610,000	321,357	3.90	95,000	62,295
2015	4.60	635,000	293,907	4.00	100,000	58,590
2016	4.75	670,000	264,698	4.10	100,000	54,590
2017-2021	4.8-5.00	3,845,000	809,255	4.10-4.40	575,000	204,820
2022-2023	5.00	890,000	44,500	4.40	580,000	45,320
Total		\$ 7,785,000	2,456,609		\$ 1,625,000	561,375

Year Ending June 30,	Bond Issue of September 1, 2010			Total		
	Interest			Principal	Interest	Total
	Rates	Principal	Interest			
2012	1.00	% \$ 0	161,310	640,000	607,415	1,247,415
2013	1.00		685,000	1,355,000	573,857	1,928,857
2014	1.20		700,000	1,405,000	538,112	1,943,112
2015	1.50		710,000	1,445,000	498,557	1,943,557
2016	1.80		730,000	1,500,000	454,698	1,954,698
2017-2021	2.10-2.90		3,875,000	8,295,000	1,452,710	9,747,710
2022-2023	3.00		845,000	2,315,000	115,170	2,430,170
Total			\$ 7,545,000	\$ 16,955,000	4,240,519	21,195,519

Capital Loan Notes

On March 1, 2004, the District issued capital loan notes of \$1,500,000. These notes will be paid from the Capital Projects: Physical Plant and Equipment Levy Fund until the year 2015. Details of the District's June 30, 2011 Capital Loan Notes indebtedness is as follows:

Year Ending June 30,	Note Issue of March 1, 2004				
	Interest		Principal	Interest	Total
	Rates				
2012	3.20	% \$	155,000	22,230	177,230
2013	3.30		160,000	17,270	177,270
2014	3.45		170,000	11,990	181,990
2015	3.50		175,000	6,125	181,125
		Total	\$ 660,000	57,615	717,615

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed thirteen years of service to the District and meet the rule of "88". Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives for each eligible employee is equal to a percentage of the employee's basic yearly salary and one days pay of that salary for each two days of unused accumulated sick leave not to exceed a maximum benefit of \$20,000. Early retirement benefits paid during the year ended June 30, 2011, totaled \$190,677. A liability has been recorded in the Government-wide financial statements representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by

State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$575,723, \$575,879, and \$545,517 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 222 active and 38 retired members in the plan. Employees must be age 55 or older at retirement and have thirteen or more years of service to the District.

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

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

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 153,000
Interest on net OPEB obligation	7,000
Adjustment to annual required contribution	<u>(6,435)</u>
Annual OPEB cost	153,565
Contributions made	<u>(230,000)</u>
Increase in net OPEB obligation	(76,435)
Net OPEB obligation - beginning of year	<u>145,435</u>
Net OPEB obligation - end of year	<u><u>\$ 69,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 139,000	35.97%	\$ 89,000
2010	139,435	59.53%	145,435
2011	153,565	149.77%	69,000

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.380 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.380 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7.601 million, and the ratio of the UAAL to the covered payroll was 18.2%. As of June 30, 2011, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The

actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a 0.5% each year until reaching the 5% ultimate trend rate. License

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2009 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$584 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

District contributions to ISEBA for the year ended June 30, 2011, were \$1,044,024.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$566,249 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Limited english proficiency	\$ 16,974
Talented and gifted	107,021
Teacher salary supplement	67,342
Model core curriculum	45,686
Statewide voluntary preschool	40,550
Professional development	47,932
Iowa learns online	2,800
Transportation aid for nonpublic students	12,540
Total	<u>\$ 340,845</u>

(12) Deficit Fund Balance

The Student Activity Fund deficit unassigned fund balance of \$3,452 at June 30, 2011.

(13) Construction Commitment

The District has entered into various contracts totaling \$1,059,252 for the Early Childcare Center roof replacement. As of June 30, 2011, costs of \$738,982 had been incurred against the contracts. The balance of \$320,270 remaining at June 30, 2011 will be paid as work on the project progresses.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 1,068,712	\$ 437,099
Change in fund type classification per implementation of GASB Statement No. 54	437,099	(437,099)
Balance July 1, 2010 as restated	<u>\$ 1,505,811</u>	<u>\$ 0</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 7,601,903	308,511	7,910,414	7,840,590	7,840,590	69,824
Intermediate sources	0	0	0	800	800	(800)
State sources	8,286,487	6,514	8,293,001	8,989,875	8,989,875	(696,874)
Federal sources	1,319,101	447,990	1,767,091	1,351,000	1,351,000	416,091
Total revenues	<u>17,207,491</u>	<u>763,015</u>	<u>17,970,506</u>	<u>18,182,265</u>	<u>18,182,265</u>	<u>(211,759)</u>
Expenditures/Expenses:						
Instruction	9,567,302	0	9,567,302	11,570,226	11,570,226	2,002,924
Support services	4,368,999	99,002	4,468,001	6,257,110	6,257,110	1,789,109
Non-instructional programs	0	620,429	620,429	999,180	999,180	378,751
Other expenditures	3,117,427	0	3,117,427	3,357,521	3,357,521	240,094
Total expenditures/expenses	<u>17,053,728</u>	<u>719,431</u>	<u>17,773,159</u>	<u>22,184,037</u>	<u>22,184,037</u>	<u>4,410,878</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	153,763	43,584	197,347	(4,001,772)	(4,001,772)	4,199,119
Other financing sources, net	<u>7,490,949</u>	<u>0</u>	<u>7,490,949</u>	<u>0</u>	<u>0</u>	<u>7,490,949</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	7,644,712	43,584	7,688,296	(4,001,772)	(4,001,772)	11,690,068
Balance beginning of year	<u>3,533,042</u>	<u>414,051</u>	<u>3,947,093</u>	<u>4,001,772</u>	<u>4,001,772</u>	<u>(54,679)</u>
Balance end of year	<u>\$ 11,177,754</u>	<u>457,635</u>	<u>11,635,389</u>	<u>0</u>	<u>0</u>	<u>11,635,389</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2011

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial				Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Covered			
2009	July 1, 2008	\$ -	\$1,047	\$1,047	0.0%	\$4,126	25.4%	
2010	July 1, 2008	\$ -	\$1,047	\$1,047	0.0%	\$5,622	18.6%	
2011	July 1, 2010	\$ -	\$1,380	\$1,380	0.0%	\$7,601	18.2%	

See Note 8 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

CRESTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 233,235	136,468	369,703
Receivables:			
Property tax:			
Delinquent	3,166	0	3,166
Succeeding year	261,499	0	261,499
Total Assets	\$ 497,900	136,468	634,368
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 0	7,817	7,817
Deferred revenue:			
Succeeding year property tax	261,499	0	261,499
Total liabilities	261,499	7,817	269,316
Fund balances:			
Restricted for:			
Management levy purposes	236,401	0	236,401
Student activities	0	132,103	132,103
Unassigned	0	(3,452)	(3,452)
Total fund balances	236,401	128,651	365,052
Total Liabilities and Fund Balances	\$ 497,900	136,468	634,368

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 262,440	0	262,440
Other	138	405,339	405,477
State sources	157	0	157
Total revenues	<u>262,735</u>	<u>405,339</u>	<u>668,074</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	169,524	0	169,524
Other	0	398,840	398,840
Support services:			
Administration	10,744	0	10,744
Operation and maintenance of plant	55,421	0	55,421
Total expenditures	<u>235,689</u>	<u>398,840</u>	<u>634,529</u>
Excess of revenues over expenditures	27,046	6,499	33,545
Fund balance beginning of year, as restated	<u>209,355</u>	<u>122,152</u>	<u>331,507</u>
Fund balance end of year	<u>\$ 236,401</u>	<u>128,651</u>	<u>365,052</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 678,513	341,333	1,019,846
Receivables:			
Property tax:			
Delinquent	0	2,330	2,330
Succeeding year	0	203,043	203,043
Income surtax	0	116,358	116,358
Due from other funds	0	46,148	46,148
Due from other governments	199,221	0	199,221
Total assets	\$ 877,734	709,212	1,586,946
Liabilities and fund balances			
Liabilities:			
Due to other funds	\$ 46,148	0	46,148
Deferred revenue			
Succeeding year property tax	0	203,043	203,043
Income surtax	0	116,358	116,358
Total liabilities	46,148	319,401	365,549
Fund balances:			
Restricted for:			
School infrastructure	831,586	0	831,586
Physical plant and equipment	0	389,811	389,811
Total fund balances	831,586	389,811	1,221,397
Total liabilities and fund balances	\$ 877,734	709,212	1,586,946

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,124,135	325,289	1,449,424
Other	2,025	52,461	54,486
State sources	0	116	116
Federal sources	27,167	0	27,167
Total revenues	<u>1,153,327</u>	<u>377,866</u>	<u>1,531,193</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	0	63,019	63,019
Transportation	0	30,090	30,090
Other expenditures:			
Facilities acquisitions	1,020,453	155,390	1,175,843
Total expenditures	<u>1,020,453</u>	<u>248,499</u>	<u>1,268,952</u>
Excess of revenues over expenditures	132,874	129,367	262,241
Other financing uses:			
Transfer out	(370,000)	(176,655)	(546,655)
Deficiency of revenues under expenditures and other financing uses	(237,126)	(47,288)	(284,414)
Fund balances beginning of year, as restated	<u>1,068,712</u>	<u>437,099</u>	<u>1,505,811</u>
Fund balances end of year	<u>\$ 831,586</u>	<u>389,811</u>	<u>1,221,397</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Transfers	Balance End of Year
Unreserved fund balance	\$ 46	494	0	(540)	0
HS general athletics	20,596	11,616	16,857	5,124	20,479
Athletic director	0	12,496	2,281	(10,215)	0
Bowling	2	5,329	5,331	0	0
Boys basketball	730	5,782	3,546	0	2,966
MS boys basketball	(2,526)	795	901	2,632	0
Football	1,073	17,595	8,332	(8,000)	2,336
MS football	1,136	3,002	1,732	(1,266)	1,140
HS boys soccer	0	641	2,767	2,127	1
Baseball	678	3,303	8,148	2,691	(1,476)
Boys track	454	95	1,664	1,116	1
MS boys track	3	924	1,895	968	0
Boys cross country	572	2,105	2,539	0	138
Boys tennis	0	2,545	2,545	0	0
Boys golf	0	45	2,051	2,007	1
Wrestling	0	3,519	9,927	17,215	10,807
MS wrestling	1,031	606	649	0	988
Girls basketball	867	4,664	4,399	0	1,132
MS girls basketball	(1,541)	1,128	1,283	1,696	0
Volleyball	821	3,624	5,617	0	(1,172)
MS volleyball	149	910	1,052	0	7
HS girls soccer	0	1,310	3,503	2,195	2
Softball	80	4,038	5,753	1,499	(136)
Girls track	14	1,532	2,439	800	(93)
MS girls track	14	220	609	375	0
Girls tennis	0	0	549	555	6
Girls golf	0	0	684	700	16
Annual	12,322	11,582	13,638	0	10,266
Cheerleaders	0	4,241	4,124	0	117
Class of 2010	(36)	197	125	0	36
Class of 2011	3,080	1,589	2,142	(2,527)	0
Class of 2012	465	7,571	6,749	1,589	2,876
Class of 2013	450	0	0	0	450
Class of 2014	0	0	0	447	447
Class of 2015	0	481	0	0	481
FFA	27,358	37,661	51,763	12	13,268
FCCLA	2,352	0	0	0	2,352
FBLA	0	7,588	7,192	0	396
Interest	1,136	133	0	(1,269)	0
Marching panthers	3,745	13,725	17,657	0	(187)
Panther guard	63	6,025	6,086	0	2
National honor society	4	570	572	0	2
Panther boys basketball	1,032	2,386	1,013	0	2,405

Account	Balance Beginning of Year	Revenues	Expendi- tures	Transfers	Balance End of Year
Panther girls basketball	2,799	3,548	5,561	0	786
Panther boys golf	6	203	152	0	57
Panther boys cross country	182	6,961	2,471	0	4,672
Panther boys tennis	865	1,956	822	0	1,999
Panther boys track	0	1,616	1,004	0	612
Panther football	(2,172)	24,011	22,227	0	(388)
Panther girls track	2	511	351	0	162
Panther girls tennis	631	0	610	0	21
Panther singers	2,346	9,486	13,866	2,034	0
Panther softball	497	4,331	3,363	0	1,465
Panther volleyball	1,393	7,505	4,386	0	4,512
Panther weight club	250	0	0	0	250
Panther wrestlers	3,722	6,912	6,762	0	3,872
Panther speech club	81	218	299	0	0
Student activity	0	27,256	102	(27,154)	0
Student government	2,717	5,715	4,344	0	4,088
Unity project	1,135	1,779	2,714	0	200
Panther baseball	(3,878)	460	801	4,219	0
MS panther football	0	232	844	1,267	655
MS student government	3,635	5,816	4,293	(447)	4,711
HS weight room	2,253	0	650	0	1,603
MS marching panthers	4,099	11,181	11,653	0	3,627
Library	36	0	36	0	0
Entrepreneur	876	0	0	0	876
Panther desktop publishing	5,271	27,561	31,889	0	943
Alternative school	1,265	0	1,265	0	0
Special olympics	1,664	500	0	0	2,164
JDC	248	89	91	0	246
Panther boys soccer	0	486	635	150	1
Panther girls soccer	1	804	792	0	13
Thespians	4,908	2,101	874	0	6,135
IJAG	166	408	350	0	224
Teachers lounge	1,494	0	1,494	0	0
Diversity club	124	0	0	0	124
Elementary library	17	0	17	0	0
Panther peppers	5,461	13,724	9,517	0	9,668
Big sister/little sister	1,510	0	0	0	1,510
Spanish club	1	0	0	0	1
MS singers	2,336	2,580	1,128	0	3,788
Clearing account	41	55,322	55,363	0	0
Total	\$ 122,152	405,339	398,840	0	128,651

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 6,043,357	5,873,843	5,690,210	5,151,891	5,205,282	4,650,977	4,675,468	4,586,430
Tuition	725,932	685,794	589,692	779,123	846,712	531,819	417,718	544,102
Other	832,614	721,231	904,072	990,841	1,054,229	1,035,187	992,047	697,535
State sources	8,286,487	7,244,174	8,038,068	7,990,501	7,452,259	6,916,779	6,564,307	6,252,892
Federal sources	1,319,101	1,973,099	962,992	651,278	811,268	1,162,023	801,998	1,644,172
Total	\$ 17,207,491	16,498,141	16,185,034	15,563,634	15,369,750	14,296,785	13,451,538	13,725,131
Expenditures:								
Instruction:								
Regular	\$ 6,101,506	5,999,181	6,100,713	5,342,920	5,483,982	4,926,797	4,492,302	4,566,081
Special	1,798,482	1,855,851	1,890,125	2,059,834	2,130,654	1,719,109	1,689,582	2,434,811
Other	1,667,314	1,541,470	1,446,614	1,400,158	945,375	1,413,132	1,479,975	1,173,527
Support services:								
Student	377,289	355,840	347,350	342,721	326,932	331,017	318,548	264,642
Instructional staff	556,433	382,365	290,957	504,741	344,642	292,024	419,125	274,942
Administration	1,552,544	1,510,851	1,489,523	1,555,199	1,511,141	1,423,425	1,214,908	940,627
Operation and maintenance of plant	1,353,191	1,284,522	1,452,699	1,179,766	1,217,476	1,235,867	1,178,766	710,303
Transportation	529,542	558,706	535,600	610,722	520,583	561,262	355,322	359,042
Central support	0	0	0	0	0	0	0	105,806
Non-instructional programs:								
Food service operations	0	0	7,183	7,182	0	2,868	0	0
Other expenditures:								
Facilities acquisitions	1,175,843	1,107,768	135,130	653,336	621,617	1,376,643	2,746,755	10,856,929
Long Term Debt:								
Principal	760,000	725,000	690,000	660,000	635,000	610,000	460,000	445,000
Interest and fiscal charges	615,335	540,742	570,143	601,483	625,658	647,865	673,912	644,876
AEA flow-through	566,249	562,973	508,699	493,874	465,028	431,257	421,173	421,480
Total	\$ 17,053,728	16,425,269	15,464,736	15,411,936	14,828,088	14,971,266	15,450,368	23,198,066

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	\$ 111,172
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	329,993 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.556	FY 11	6,825
			<u>447,990</u>
DEPARTMENT OF TRANSPORTATION:			
IOWA DEPARTMENT OF TRANSPORTATION:			
HIGHWAY PLANNING AND CONSTRUCTION	20.205	FY 11	<u>817</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1503-G	289,023
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1503-GC	125,561
			<u>414,584</u>
READING FIRST STATE GRANTS	84.357	FY 11	<u>54,985</u>
TITLE IIA - TEACHER QUALITY FEDERAL PROGRAMS	84.367	FY 11	<u>88,946</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 11	<u>8,912</u>
STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	8,242
STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	75,300
			<u>83,542 **</u>
STATE FISCAL STABILIZATION FUND(SFSF) GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	<u>67,164 **</u>
EDUCATION JOBS FUND	84.410	FY 11	<u>286,120</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 11	78,493
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	50,881
			<u>129,374</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>17,147</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA DEPARTMENT OF PUBLIC DEFENSE:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISION: PUBLIC ASSISTANCE GRANTS(FEMA DISASTER ASSISTANCE)	97.036	FY 11	<u>29,151</u>
TOTAL			<u>\$ 1,628,732</u>

* - includes \$30,464 of non-cash awards.

** - The State Fiscal Stabilization Fund Cluster totalled \$150,706

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Creston Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 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 deficiencies described in Part II of the accompanying Schedule of Finding and Questioned Costs as items II-B-11 and II-C-11 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2012

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 Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and Internal Control
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Creston Community School District:

Compliance

We have audited the compliance of Creston Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Creston Community School District's major federal programs for the year ended June 30, 2011. Creston Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Creston Community School District's management. Our responsibility is to express an opinion on Creston Community School District's compliance based on our audit.

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

In our opinion, Creston Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson P.C." The signature is written in a cursive, professional style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2012

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

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

Clustered Programs:

- CFDA Number 10.553 - School Breakfast Program
- CFDA Number 10.555 - National School Lunch Program
- CFDA Number 10.556 - Summer Food Service Program for Children

Clustered Programs:

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

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

CRESTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

II-B-11 Grant Coding - We noted during our audit, that when expenditures for specific projects were posted, expenses were not always properly posted to those projects.

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

Response - The District has begun utilizing Uniform Financial Account purchase orders to ensure all expenses are coded to the correct project.

Conclusion - Response accepted.

II-C-11 Unsupported Disbursements - We noted during our testing of cash disbursements from the Student Activity Fund that 2 out of 23 checks being issued using purchase orders for supporting documentation.

Recommendation - Better internal control is achieved if the purchase order is used as an authorization for purchase and then matched to the invoice when received. The invoice should serve as the support document when preparing the check for payment. In addition the invoice should be present for the individuals signing the check, as well as available for the Board. Chapter 279.29 of the Code of Iowa in part states, "The board shall audit and allow all just claims against the corporation, and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Logically if an invoice is not available, the Board cannot fulfill the requirement in the process of approving the bill for payment. The District should review the procedures in place and make necessary changes.

Response - In the future the District will ensure that an invoice is attached to the purchase order prior to payment of a bill.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Chad Briley, Board Member Owns Briley Heating & Air Conditioning Inc.	Purchased services	\$565

The above transactions with Chad Briley do not appear to represent a conflict of interest in accordance with Chapter 279.7A of the Code of Iowa.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by 2.8.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter. The District has corrected its aid and levy to show the adjustment.

Conclusion - Response accepted.

IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services and Use Tax- No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified annual reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,068,712
Revenues:		
Sales tax revenues	\$ 1,124,135	
Other local revenues	2,025	
Federal revenues	27,167	1,153,327
	<u> </u>	<u>2,222,039</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 1,020,453	
Transfers to other funds:		
Debt service fund	370,000	1,390,453
	<u> </u>	<u> </u>
Ending balance		<u><u>\$ 831,586</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Rate of Levy</u>	<u>Property</u>
	Reduction	Tax
	Per \$1,000	Dollars
	of Taxable	Reduced
	Valuation	
Debt service levy	<u>\$ 1.15842</u>	<u>\$ 370,000</u>

IV-M-11 Financial Condition - The District's Student Activity Fund had a deficit unassigned fund balance of \$3,523.

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

Response - In the future the District will ensure that all negative balances are resolved by year-end.

Conclusion - Response accepted.

IV-N-11 Bidding and Change Order Procedures - The District completed a construction contract for public improvement, which the District properly held a public hearing and received bids for in accordance with Chapter 26.3 of the Code of Iowa. The contract was awarded and the work completed. Subsequently, in June 2011 the District awarded a contract on the Early Childcare Center Roof and rather than seek bids the District awarded the contract as a change order on the previously issued contract. This appears to result in the District circumventing the public hearing and bidding process required by Chapter 26.3 of the Code of Iowa.

Recommendation - The District should establish procedures to ensure compliance with statutes pertaining to public bidding and change orders on future contracts.

Response - This change order occurred during the transition from the former Business Manager to the current Business Manager. The District subsequently approved the change order upon realizing it was not approved. In the future the Business Manager and Superintendent will ensure that all change orders and contracts are approved by the board.

Conclusion - Response accepted.