

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

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SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------|----------------|---------------------|
| Clarence Hansen | President | 2011 |
| Brian Hoepfner | Vice President | 2011 |
| Brian Kenny | Board Member | 2011 |
| Alan Movall | Board Member | 2013 |
| Chuck Struchen | Board Member | 2013 |

School Officials

| | |
|-----------------|------------------------------|
| Dave Kwikkel | Superintendent |
| Julie McClintic | District Secretary/Treasurer |

Gary E. Horton CPA

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Clarion, IA 50525-0384
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District, Schaller, Iowa, as of and for the year ended June 30, 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 Schaller-Crestland 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 reports dated March 2, 2012 on our consideration of Schaller-Crestland Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Schaller-Crestland Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

March 2, 2012

Schaller-Crestland Community School District

Management Discussion & Analysis

This section of the Schaller-Crestland Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2011. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The Schaller-Crestland CSD Board of Directors approved a Property Tax decrease from \$13.89485 to \$13.72316 per \$1,000 taxable valuation, creating a stable tax rate from the previous year.
- The Local Option Sales Tax was beneficial to the district in that it generated about \$265,639, an increase of \$40,762, for capital improvement projects.

Overview of the Financial Statements

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

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

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

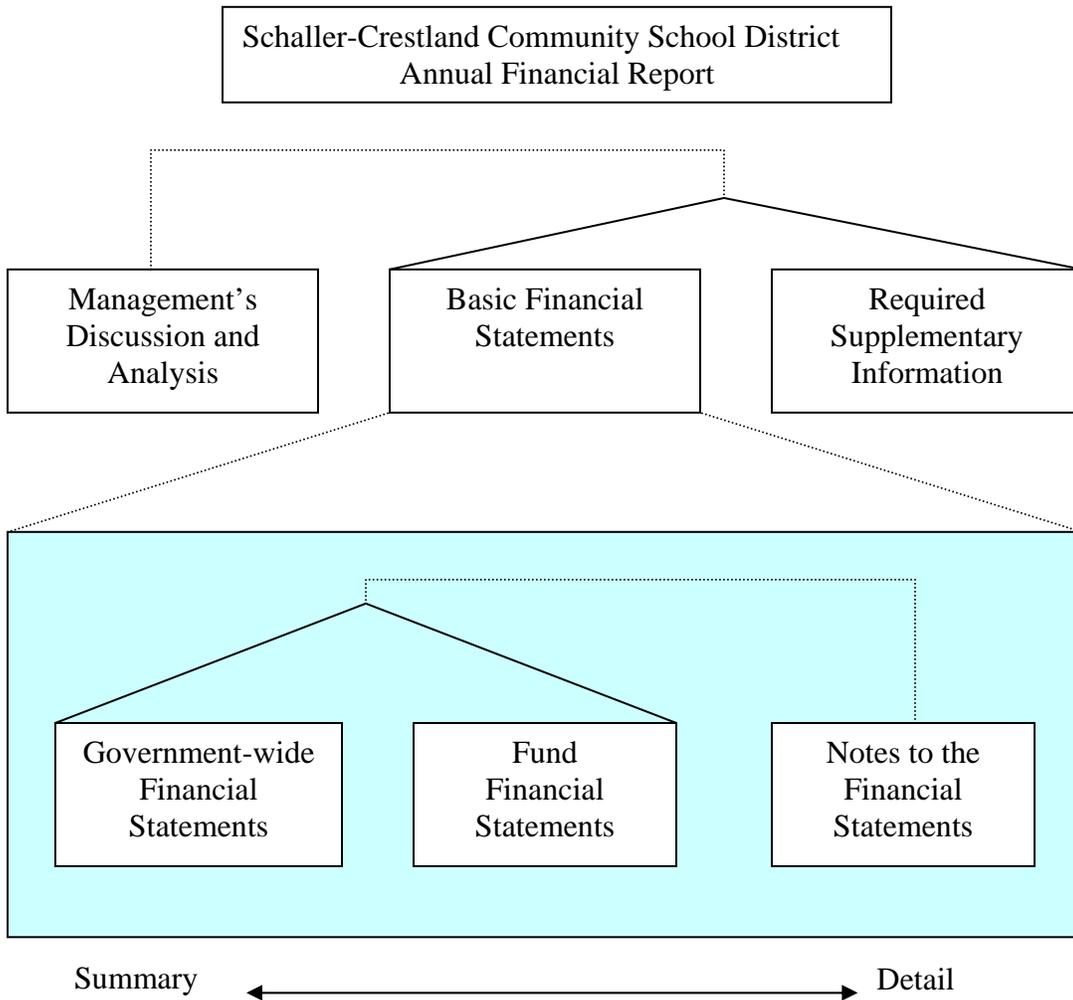
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of funding Progress for the Retiree Health Plan.

Other supplementary information provides detailed information about the nonmajor governmental funds, as well as presenting the Schedule of funding Progress for the Retiree Health Plan.

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

Figure A-1



Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

Government-wide Financial Analysis

Figure A-2 below provides a summary of the District's net assets ended June 30, 2011, 2010 and 2009.

Net assets

The District's total net assets had shown a steady decreased over the past two years, it decreased by \$38,128 in 2009 and another \$217,513 by 2010. The net assets finally showed improvement from the previous year by increasing \$425,287 or a 13% increase in to assets.

| Figure A-2 | Condensed Statement of Net Assets | | | | | | | | | |
|----------------------------|-----------------------------------|--------------------|------------------|--------------------------|-----------------|-----------------|-----------------------|--------------------|--------------------|--------------------------------|
| | Governmental Activities | | | Business Type Activities | | | Total School District | | | Total % Change 2010-2011 |
| | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 | |
| Current and other assets | \$4,222,783 | \$3,595,649 | \$4,471,781 | \$16,884 | \$24,284 | \$27,746 | \$4,239,667 | \$3,619,933 | \$4,499,527 | 25% |
| Capital assets | 2,533,803 | 2,639,875 | 2,573,018 | 21,284 | 16,889 | 27,826 | 2,555,087 | 2,656,764 | \$2,600,844 | (3%) |
| Total Assets | 6,756,586 | 6,235,524 | 7,044,799 | 38,168 | 41,173 | 55,572 | \$6,794,754 | \$6,276,697 | \$7,100,371 | 14% |
| Long-term liabilities | 61,361 | 167,203 | 120,068 | 0 | 0 | 0 | 61,361 | 167,203 | 120,068 | (29%) |
| Other liabilities | 3,000,680 | 2,594,681 | 3,038,131 | 2,596 | 2,209 | 4,281 | 3,003,276 | 2,596,890 | \$3,042,412 | 17% |
| Total liabilities | 3,062,041 | 2,761,884 | 3,158,199 | 2,596 | 2,209 | 4,281 | 3,064,637 | 2,764,093 | \$3,162,480 | 15% |
| Net Assets: | | | | | | | | | | |
| Invested in capital assets | 2,533,803 | 2,639,875 | 2,573,018 | 21,284 | 16,889 | 27,826 | 2,555,087 | 2,656,764 | 2,600,844 | (3%) |
| Restricted | 881,689 | 739,320 | 895,189 | 0 | 0 | 0 | 881,689 | 739,320 | 895,189 | 21% |
| Unrestricted | 279,053 | 94,445 | 418,393 | 14,288 | 22,075 | 23,465 | 293,341 | 116,520 | 441,858 | 280% |
| TOTAL NET ASSETS | \$3,694,545 | \$3,473,640 | 3,886,600 | \$35,572 | \$38,964 | \$51,291 | \$3,730,117 | \$3,512,604 | \$3,937,891 | 13% |

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

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$155,869 or 21% over the prior year. The increase was primarily a result of sales taxes collected in fiscal year 2011, but not spent.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints, established by debt covenants, enabling legislation or other legal requirements – increased by approximately \$325,338 or 280% from the previous year.

Figure A-3 shows the change in net assets for the years ended June 30, 2010 and 2011.

| Changes in Net Assets | | | | | | |
|----------------------------------|--------------------------------|--------------------|---------------------------------|------------------|------------------------------|--------------------|
| Figure A-3 | Governmental Activities | | Business-type Activities | | Total School District | |
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$172,341 | 842,812 | 169,733 | 168,804 | \$342,074 | \$1,011,616 |
| Operating Grants & Contributions | 857,449 | 720,891 | 100,562 | 113,178 | 958,011 | 834,069 |
| Capital Grants & Contributions | 14,130 | 0 | 0 | 0 | 14,130 | 0 |
| General Revenues | | | | | | |
| Property taxes & other taxes | 2,563,541 | 2,690,291 | 0 | 0 | 2,563,541 | \$2,690,291 |
| Unrestricted State Grants | 965,923 | 1,139,224 | 0 | 0 | 965,923 | 1,139,224 |
| Unrestricted Investment Earnings | 18,811 | 9,708 | 97 | 57 | 18,908 | 9,765 |
| Other Revenue | 8,599 | 26,732 | 0 | 0 | 8,599 | 26,732 |
| Total Revenues | \$4,600,794 | \$5,429,658 | \$270,392 | \$282,039 | \$4,871,186 | \$5,711,697 |
| Expenses | | | | | | |
| Instruction | 3,120,604 | 3,285,607 | 0 | 0 | 3,120,604 | \$3,285,607 |
| Support Services | 1,256,472 | 1,259,215 | 0 | 0 | 1,256,472 | \$1,259,215 |
| Non-Instructional Programs | 0 | 0 | 267,000 | 285,594 | 267,000 | \$285,594 |
| Other Expenses | 444,623 | 455,994 | 0 | 0 | 444,623 | \$455,994 |
| Total Expenses | \$4,821,699 | \$5,000,816 | \$267,000 | \$285,594 | \$5,088,699 | \$5,286,410 |
| Net Revenues and Expenses | (\$220,905) | \$428,842 | \$3,392 | (\$3,555) | (\$217,513) | \$425,287 |
| Transfers | 0 | (\$15,882) | 0 | 15,882 | 0 | 0 |
| Change in Net Assets | (\$220,905) | \$412,960 | \$3,392 | \$12,327 | (\$217,513) | \$425,287 |

Total District revenues increased approximately \$840,511 between 2010 and 2011 while total expenses increased in 2011 by approx. \$197,711. This created an increase of \$425,287 in total school district net assets. Total property tax and other local tax revenues increased approximately \$126,750.

Governmental Activities -

Referring to *Figure A-3*, revenues for the District's governmental activities were \$5,429,658 for fiscal year 2011. Total governmental expenditures were \$5,000,816.

In a more stable budget year, the District trimmed expenses through Whole Grade Sharing revenues. The board of directors was able to maintain the overall district tax rate from \$13.89485 to \$13.72316 per thousand dollars of taxable valuation. The signing of a whole grade sharing agreement did have significant impact on our revenue to expense ratio for year 2011 versus 2010.

| Net Cost of Governmental Activities | | | | |
|-------------------------------------|-----------------------------|-----------------------------|---------------------------|---------------------------|
| Figure A-4 | | | | |
| | Total Cost of Services 2010 | Total Cost of Services 2011 | Net Cost Of Services 2010 | Net Cost Of Services 2011 |
| Instruction | \$3,120,604 | \$3,285,607 | \$2,259,975 | \$1,973,120 |
| Support Services | 1,256,472 | \$1,259,215 | 1,252,082 | 1,172,681 |
| Other Expenses | 444,623 | 455,994 | 265,722 | 291,312 |
| TOTAL | \$4,821,699 | \$5,000,816 | \$3,777,779 | \$3,437,113 |

Figure A-4 presents the cost of the District’s major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions.

- The cost of all governmental activities this year was \$5,000,816.
- Most of the District’s costs (\$3,437,113) were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,690,291 in property and other local taxes, and \$1,139,224 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

Business-Type Activities -

The District’s business-type activities include the School Nutrition and Daycare Funds. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District’s business-type activities show an increase in net assets with revenues exceeding expenses in 2010 & 2011, with an increase in 2010 to 2011 \$11,647, for a two year total of increase revenue of \$15,039 (refer to Figure A-3). The increase in the change of net assets was also due to the increased costs for salaries, employee benefits and food. The Board of Education did increase school meal prices for fiscal year 2010 and 2011. The revenues increased from fiscal year 2010 \$11,647.

Financial Analysis of the District’s Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$1,203,712.

Governmental Fund Highlights

The General Fund balance decreased from \$482,754 in '03 to \$404,987 in '04 to \$378,251 in '05, to \$370,264 in 2006, \$422,418 in 2007, \$367,563 in 2008, in 2009 decreased to \$206,659, in 2010 \$28,186, increased to \$347,222 in 2011. This is due in part to a concerted effort to have a reduction in staff, even though student enrollment declined. The Board chose to use carryover fund balance to maintain obligations and student programming. Revenues over expenditures began to increase dramatically due in part to Whole Grade Sharing.

The Capital Projects Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.

The sales tax account balance increased \$123,305, due to no major projects or renovations during fiscal year 2011. The monies are being held for future A.D.A. projects for the building.

The Physical Plant and Equipment account began fiscal year 2010 with a balance of \$176,435 and ended the year in June of 2011 with a positive fund balance of \$174,491.

The Non-major governmental funds include Management and Student Activity Funds.

The Management fund balance decreased \$15,472 to \$150,279 during the year. The increase was due to the goal of readying for the early retirement due to the possibility of Whole Grade Sharing.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$97,704 on June 30, 2003 to \$97,260 on June 30, 2004, on June 30, 2005 \$83,826, \$62,344 on June 30, 2006, on June 30, 2007 \$37,998, on June 30, 2008 \$23,860, on June 30, 2009 \$25,328, June 30, 2010 \$29,724, and on June 30, 2011 \$42,491, representing an increase of 30% increase from the previous year. The higher cost of food and salaries along with extra hours put in by the head cook to comply with more federal and state regulations and mandates added to our overall costs.

Budgetary Highlights

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

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

Ultimately, budgeted amounts exceeded actual revenue by \$558,077. Most of this variance is due to the District receiving more revenues from whole grade sharing tuition revenue and shared employee revenue than budgeted.

The District's budgeted expenditures were \$933,898 more than actual expenditures. When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping expenditures in line with revenues as actual revenue accumulates. As a result, the District's certified budget would hopefully exceed the actual expenditures during the coming year. The District's total expenditures were \$5,282,570 and total revenues were \$5,669,522, resulting in a surplus of revenues over expenditures of \$386,952.

Capital Asset and Debt Administration

Capital Assets

By the end of 2011, the District had invested \$2,600,844 net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-5*). This amount represents a net decrease of \$55,920 or a 3% decrease from last year. The District was able to stay within its means and not accumulate any debt in FY11.

The 2010-2011 school year was once again one of the districts most productive in the way of capital improvements to the district. Through the Physical Plant and Equipment fund and Capital Projects fund better known as the one cent local option sales tax, we were able to make many repairs and improvements. The list includes, but not limited to, painting and carpeting of classrooms and hallways, the purchase of another full-size suburban, major heating repairs to individual heat pump units at the middle school, roof repairs in Early on the music room due to storm damage, chain link fence repair at the sport complex in Early, carpet, computer laptop laboratories' and SMART board purchases for individual classrooms. And purchased two new full computer labs at the elementary and middle school.

At June 30, 2011 the board had approved a contract for the installation of an elevator in the Schaller building. The District has committed approximately \$185,000 to complete this project.

| Capital Assets (net of depreciation) | | | | | | | | | | |
|---|--------------------------------|------------------|------------------|---------------------------------|---------------|---------------|------------------------------|------------------|------------------|---------------------------------|
| Figure A-5 | Governmental Activities | | | Business-type Activities | | | Total School District | | | Total % Change 2010-2011 |
| | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 | |
| Land | 18,889 | 18,889 | 18,889 | 0 | 0 | 0 | 18,889 | 18,889 | 18,889 | 0% |
| Construction in Progress | 0 | 0 | 18,769 | 0 | 0 | 0 | 0 | 0 | 18,769 | 0% |
| Buildings. & Improvements | 2,319,108 | 2,453,782 | 2,371,263 | 0 | 0 | 0 | 2,319,108 | 2,453,782 | 2,371,263 | (4%) |
| Equip. & Furniture | 195,806 | 167,204 | 164,097 | 21,284 | 16,889 | 27,826 | 217,090 | 184,093 | 191,923 | 5% |
| TOTAL | 2,533,803 | 2,639,875 | 2,573,018 | 21,284 | 16,889 | 27,826 | 2,555,087 | 2,656,764 | 2,600,844 | (3%) |

Long-Term Debt

At June 30, 2011 the District's only long-term debt was for its early retirement program and net OPEB liability.

Factors Bearing on the District's Future

The District will need to show continued caution financially as they move into their second year of Whole Grade Sharing. Budgeting practices such as making sure disbursements do not exceed receipts is our primary focus, however staff needs always need to be tempered so as not to over spend revenues. In FY '11, the District received 0% of allowable growth money and no new money, however, allowable growth is expected to be at 2% or higher which will be welcome news for the district. Federal and State coffers have become strained which directly affects Schaller-Crestland. We have experienced a declining enrollment, but not as dramatic as in years past.

As stated last year in the MD&A, in FY '11, the District will receive its sixth year of added property value as the Wind Farm matures. Increased property value is projected to generate over \$65,000.00 the first year compounded each year for 6 years to about \$400,000. There are now 76 wind turbines located in the Sac County portion of the school district and 2 in the Buena Vista portion of the district for a total of 78.

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

By July 1, 2011 the Schaller-Crestland Community School District and the Galva-Holstein Community School District will have entered into its second year of whole grade sharing.

Without question whole grade sharing has improved Schaller-Crestland's bottom line. It occurred when about 8 Full time teacher equivalents were cut and the cost of educating grades 6-12 was reduced from 100% our cost to 43 % prorated cost with another district.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|--------------------------------|------------------|
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 1,565,586 | 5,016 | 1,570,602 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 34,121 | - | 34,121 |
| Succeeding year | 2,403,777 | - | 2,403,777 |
| Accounts | 1,180 | 5,020 | 6,200 |
| Accrued interest | 37 | - | 37 |
| Due from other governments | 465,733 | 7,073 | 472,806 |
| Internal balances | 1,347 | (1,347) | - |
| Inventories | - | 11,984 | 11,984 |
| Capital assets, net of accumulated depreciation | 2,573,018 | 27,826 | 2,600,844 |
| Total assets | 7,044,799 | 55,572 | 7,100,371 |
| Liabilities | | | |
| Accounts payable | 123,790 | 3,243 | 127,033 |
| Salaries and benefits payable | 298,972 | 94 | 299,066 |
| Due to other governments | 194,787 | - | 194,787 |
| Deferred revenue: | | | |
| Succeeding year property tax | 2,403,777 | - | 2,403,777 |
| Other | 16,805 | 944 | 17,749 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Termination benefits | 52,031 | - | 52,031 |
| Portion due after one year: | | | |
| Termination benefits | 43,060 | - | 43,060 |
| Net OPEB liability | 24,977 | - | 24,977 |
| Total liabilities | 3,158,199 | 4,281 | 3,162,480 |
| Net assets | | | |
| Invested in capital assets | 2,573,018 | 27,826 | 2,600,844 |
| Restricted for: | | | |
| Categorical funding | 77,299 | - | 77,299 |
| Management levy | 55,188 | - | 55,188 |
| Physical plant and equipment levy | 230,982 | - | 230,982 |
| Student activities | 32,634 | - | 32,634 |
| School infrastructure | 499,086 | - | 499,086 |
| Unrestricted | 418,393 | 23,465 | 441,858 |
| Total net assets | 3,886,600 | 51,291 | 3,937,891 |

See notes to financial statements.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

| Functions/Programs | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---------------------------------------|------------------|-----------------------------|--|--|
| | | <u>Charges for Services</u> | <u>Operating Grants, Contributions and Restricted Interest</u> | <u>Capital Grants, Contributions and Restricted Interest</u> |
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | 2,339,467 | 622,486 | 466,538 | - |
| Special | 465,783 | 102,769 | 25,716 | - |
| Other | 480,357 | 36,242 | 58,736 | - |
| | <u>3,285,607</u> | <u>761,497</u> | <u>550,990</u> | <u>-</u> |
| Support services: | | | | |
| Student | 72,737 | - | - | - |
| Instructional staff | 161,526 | - | - | - |
| Administration | 442,986 | 81,200 | - | - |
| Operation and maintenance of plant | 298,384 | 115 | - | - |
| Transportation | 283,582 | - | 5,219 | - |
| | <u>1,259,215</u> | <u>81,315</u> | <u>5,219</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 149,424 | - | - | - |
| AEA flowthrough | 164,682 | - | 164,682 | - |
| Depreciation (unallocated)* | 141,888 | - | - | - |
| | <u>455,994</u> | <u>-</u> | <u>164,682</u> | <u>-</u> |
| Total governmental activities | 5,000,816 | 842,812 | 720,891 | - |
| Business type activities: | | | | |
| Non-instructional programs: | | | | |
| Food service operations | 194,984 | 90,146 | 101,718 | - |
| Daycare | 90,610 | 78,658 | 11,460 | - |
| Total business-type activities | <u>285,594</u> | <u>168,804</u> | <u>113,178</u> | <u>-</u> |
| Total | <u>5,286,410</u> | <u>1,011,616</u> | <u>834,069</u> | <u>-</u> |
| General Revenues: | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | |
| Capital outlay | | | | |
| Income surtax | | | | |
| Statewide sales, services and use tax | | | | |
| Unrestricted state grants | | | | |
| Unrestricted investment earnings | | | | |
| Other | | | | |
| Total general revenues | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

| Governmental Activities | Business Type Activities | Total |
|----------------------------|--------------------------------|--------------------|
| \$ | \$ | \$ |
| (1,250,443) | - | (1,250,443) |
| (337,298) | - | (337,298) |
| (385,379) | - | (385,379) |
| <u>(1,973,120)</u> | <u>-</u> | <u>(1,973,120)</u> |
| (72,737) | - | (72,737) |
| (161,526) | - | (161,526) |
| (361,786) | - | (361,786) |
| (298,269) | - | (298,269) |
| (278,363) | - | (278,363) |
| <u>(1,172,681)</u> | <u>-</u> | <u>(1,172,681)</u> |
| (149,424) | - | (149,424) |
| - | - | - |
| (141,888) | - | (141,888) |
| <u>(291,312)</u> | <u>-</u> | <u>(291,312)</u> |
| (3,437,113) | - | (3,437,113) |
| - | (3,120) | (3,120) |
| - | (492) | (492) |
| <u>-</u> | <u>(3,612)</u> | <u>(3,612)</u> |
| <u>(3,437,113)</u> | <u>(3,612)</u> | <u>(3,440,725)</u> |
| 2,130,789 | - | 2,130,789 |
| 77,667 | - | 77,667 |
| 216,196 | - | 216,196 |
| 265,639 | - | 265,639 |
| 1,139,224 | - | 1,139,224 |
| 9,708 | 57 | 9,765 |
| 26,732 | - | 26,732 |
| 3,865,955 | 57 | 3,866,012 |
| (15,882) | 15,882 | - |
| <u>3,850,073</u> | <u>15,939</u> | <u>3,866,012</u> |
| 412,960 | 12,327 | 425,287 |
| <u>3,473,640</u> | <u>38,964</u> | <u>3,512,604</u> |
| <u>3,886,600</u> | <u>51,291</u> | <u>3,937,891</u> |

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

| | General | Capital Projects | Nonmajor Governmental | Total |
|--|------------------|---------------------|--------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Cash and pooled investments | 755,841 | 622,536 | 187,209 | 1,565,586 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 31,392 | 1,200 | 1,529 | 34,121 |
| Succeeding year | 2,168,756 | 135,021 | 100,000 | 2,403,777 |
| Accounts | 1,180 | - | - | 1,180 |
| Accrued interest | - | 32 | 5 | 37 |
| Interfund receivable | 1,347 | - | - | 1,347 |
| Due from other governments | 337,024 | 128,709 | - | 465,733 |
| Total assets | 3,295,540 | 887,498 | 288,743 | 4,471,781 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | 95,551 | 22,409 | 5,830 | 123,790 |
| Salaries and benefits payable | 298,972 | - | - | 298,972 |
| Due to other governments | 194,787 | - | - | 194,787 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 2,168,756 | 135,021 | 100,000 | 2,403,777 |
| Income surtax | 131,813 | 56,491 | - | 188,304 |
| Other | 58,439 | - | - | 58,439 |
| Total liabilities | 2,948,318 | 213,921 | 105,830 | 3,268,069 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Categorical funding | 77,299 | - | - | 77,299 |
| Management levy purposes | - | - | 150,279 | 150,279 |
| Student activities | - | - | 32,634 | 32,634 |
| School infrastructure | - | 499,086 | - | 499,086 |
| Physical plant and equipment | - | 174,491 | - | 174,491 |
| Unassigned | 269,923 | - | - | 269,923 |
| Total fund balance | 347,222 | 673,577 | 182,913 | 1,203,712 |
| Total liabilities and fund balances | 3,295,540 | 887,498 | 288,743 | 4,471,781 |

SCHALLER-CRESTLAND 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 (Exhibit C) | 1,203,712 |
| <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. | 2,573,018 |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 229,938 |
| Long-term liabilities, including termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds. | <u>(120,068)</u> |
| Net assets of governmental activities (Exhibit A) | <u><u>3,886,600</u></u> |

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

| | General | Capital Projects | Nonmajor Governmental | Total |
|---|------------------|---------------------|--------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 2,158,630 | 433,892 | 98,962 | 2,691,484 |
| Tuition | 660,360 | - | - | 660,360 |
| Other | 148,480 | 6,750 | 43,158 | 198,388 |
| State sources | 1,611,368 | 39 | 49 | 1,611,456 |
| Federal sources | 225,795 | - | - | 225,795 |
| Total revenues | <u>4,804,633</u> | <u>440,681</u> | <u>142,169</u> | <u>5,387,483</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,294,745 | 42,814 | 62,002 | 2,399,561 |
| Special | 465,085 | - | - | 465,085 |
| Other | 428,245 | - | 47,974 | 476,219 |
| | <u>3,188,075</u> | <u>42,814</u> | <u>109,976</u> | <u>3,340,865</u> |
| Support services: | | | | |
| Student | 71,989 | - | 283 | 72,272 |
| Instructional staff | 153,526 | - | 8,000 | 161,526 |
| Administration | 421,666 | 10,994 | 7,911 | 440,571 |
| Operation and maintenance of plant | 241,839 | - | 45,385 | 287,224 |
| Transportation | 244,325 | 42,067 | - | 286,392 |
| | <u>1,133,345</u> | <u>53,061</u> | <u>61,579</u> | <u>1,247,985</u> |
| Other expenditures: | | | | |
| Facilities acquisition | - | 243,444 | - | 243,444 |
| AEA flowthrough | 164,682 | - | - | 164,682 |
| | <u>164,682</u> | <u>243,444</u> | <u>-</u> | <u>408,126</u> |
| Total expenditures | <u>4,486,102</u> | <u>339,319</u> | <u>171,555</u> | <u>4,996,976</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>318,531</u> | <u>101,362</u> | <u>(29,386)</u> | <u>390,507</u> |
| Other financing sources (uses): | | | | |
| Compensation for loss of fixed assets | 230 | 19,999 | - | 20,229 |
| Sales of materials and equipment | 275 | - | - | 275 |
| Total other financing sources (uses) | <u>505</u> | <u>19,999</u> | <u>-</u> | <u>20,504</u> |
| Net change in fund balances | 319,036 | 121,361 | (29,386) | 411,011 |
| Fund balances beginning of year, as restated | <u>28,186</u> | <u>552,216</u> | <u>212,299</u> | <u>792,701</u> |
| Fund balances end of year | <u>347,222</u> | <u>673,577</u> | <u>182,913</u> | <u>1,203,712</u> |

See notes to financial statements.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

| | \$ | \$ |
|--|------------------|-----------------------|
| Net change in fund balances - total governmental funds (Exhibit E) | | 411,011 |
| <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i> | | |
| <p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:</p> | | |
| Expenditures for capital assets | 124,363 | |
| Depreciation expense | <u>(191,220)</u> | (66,857) |
| <p>Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.</p> | | |
| | | 21,671 |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:</p> | | |
| Termination benefits | 59,002 | |
| Other postemployment benefits | <u>(11,867)</u> | <u>47,135</u> |
| Changes in net assets of governmental activities (Exhibit B) | | <u><u>412,960</u></u> |

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

| | Nonmajor Enterprise Funds |
|---|---------------------------------|
| | <u>\$</u> |
| Assets | |
| Cash and cash equivalents | 5,016 |
| Accounts receivable | 5,020 |
| Due from other governments | 7,073 |
| Inventories | 11,984 |
| Capital assets, net of accumulated depreciation | <u>27,826</u> |
| Total assets | <u>56,919</u> |
| Liabilities | |
| Interfund payable | 1,347 |
| Accounts payable | 3,243 |
| Salaries and benefits payable | 94 |
| Deferred revenue | <u>944</u> |
| Total liabilities | <u>5,628</u> |
| Net assets | |
| Invested in capital assets | 27,826 |
| Unrestricted | <u>23,465</u> |
| Total net assets | <u><u>51,291</u></u> |

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

Year ended June 30, 2011

| | Nonmajor Enterprise Funds |
|--|---------------------------------|
| | \$ |
| Operating revenues: | |
| Local sources: | |
| Charges for service | 168,804 |
| Operating expenses: | |
| Salaries | 137,890 |
| Benefits | 19,699 |
| Purchased services | 13,809 |
| Supplies | 109,251 |
| Depreciation | 4,945 |
| Total operating expenses | 285,594 |
| Operating income (loss) | (116,790) |
| Non-operating revenues: | |
| State sources | 2,608 |
| Federal sources | 109,755 |
| Donations | 815 |
| Interest income | 57 |
| Total non-operating revenues | 113,235 |
| Income (loss) before capital contributions | (3,555) |
| Capital contributions | 15,882 |
| Change in net assets | 12,327 |
| Net assets beginning of year | 38,964 |
| Net assets end of year | 51,291 |

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

| | Nonmajor Enterprise Funds |
|---|---------------------------------|
| | <u>\$</u> |
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | 89,368 |
| Cash received from daycare services | 76,814 |
| Cash payments to employees for services | (157,915) |
| Cash payments to suppliers for goods or services | (108,251) |
| Net cash used by operating activities | <u>(99,984)</u> |
| Cash flows from non-capital financing activities: | |
| Loan from General Fund | 1,347 |
| Donations | 815 |
| State grants received | 2,608 |
| Federal grants received | 90,895 |
| Net cash provided by non-capital financing activities | <u>95,665</u> |
| Cash flows from capital and related financing activities | <u>-</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>57</u> |
| Net increase (decrease) in cash and cash equivalents | (4,262) |
| Cash and cash equivalents at beginning of year | <u>9,278</u> |
| Cash and cash equivalents at end of year | <u><u>5,016</u></u> |
| Reconciliation of operating income (loss) to net cash used by operating activities: | |
| Operating income (loss) | (116,790) |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: | |
| Commodities used | 12,952 |
| Depreciation | 4,945 |
| Decrease (increase) in inventories | (412) |
| Decrease (increase) in accounts receivable | (2,751) |
| (Decrease) increase in accounts payable | 1,943 |
| (Decrease) increase in deferred revenue | 129 |
| Net cash used by operating activities | <u>(99,984)</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$12,952 of federal commodities.

During the year ended June 30, 2011, the School Nutrition Fund received \$15,882 of equipment that was purchased by other funds.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major 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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions

are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, furniture 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| | \$ |
| Land | - |
| Buildings | 5,000 |
| Improvements other than buildings | 5,000 |
| Intangibles | 30,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 5,000 |

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

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

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

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

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

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

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

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

Fund Equity – In the governmental fund financial statements 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.

Unassigned – All amounts not included in other 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 are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 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; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2011 is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--|--------|
| | | \$ |
| General Fund | Nonmajor Enterprise, School Nutrition Fund | 1,347 |

The loan was for cash flow at year-end.

4. Capital Assets

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

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|-----------------|-----------|------------------------|
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 18,889 | - | - | 18,889 |
| Construction in progress | - | 18,769 | - | 18,769 |
| | <u>18,889</u> | <u>18,769</u> | <u>-</u> | <u>37,658</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 5,251,923 | 52,599 | - | 5,304,522 |
| Improvements other than buildings | 692,760 | 6,770 | - | 699,530 |
| Furniture and equipment | 735,319 | 46,225 | - | 781,544 |
| Total capital assets being deprec. | <u>6,680,002</u> | <u>105,594</u> | <u>-</u> | <u>6,785,596</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,184,884 | 116,794 | - | 3,301,678 |
| Improvements other than buildings | 306,017 | 25,094 | - | 331,111 |
| Furniture and equipment | 568,115 | 49,332 | - | 617,447 |
| Total accumulated depreciation | <u>4,059,016</u> | <u>191,220</u> | <u>-</u> | <u>4,250,236</u> |
| Total capital assets being depreciated, net | <u>2,620,986</u> | <u>(85,626)</u> | <u>-</u> | <u>2,535,360</u> |
| Governmental activities capital assets, net | <u>2,639,875</u> | <u>(66,857)</u> | <u>-</u> | <u>2,573,018</u> |
| Business type activities: | | | | |
| Furniture and equipment | 93,842 | 15,882 | - | 109,724 |
| Less accumulated depreciation | <u>76,953</u> | <u>4,945</u> | <u>-</u> | <u>81,898</u> |
| Business type activities capital assets, net | <u>16,889</u> | <u>10,937</u> | <u>-</u> | <u>27,826</u> |

Depreciation expense was charged to the following functions:

| | |
|--|----------------|
| | \$ |
| Governmental activities: | |
| Instruction: | |
| Regular instruction | 1,345 |
| Other instruction | 2,509 |
| Support services: | |
| Administration | 1,252 |
| Operation and maintenance of plant services | 10,462 |
| Transportation | 33,764 |
| | <u>49,332</u> |
| Unallocated depreciation | <u>141,888</u> |
| Total depreciation expense – governmental activities | <u>191,220</u> |
| Business type activities: | |
| Food services | <u>4,945</u> |

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|---------------|---------------|------------------------|------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | | |
| Termination benefits | 154,093 | - | 59,002 | 95,091 | 52,031 |
| Net OPEB liability | 13,110 | 11,867 | - | 24,977 | - |
| | | | | <u>120,068</u> | <u>52,031</u> |
| Total | <u>167,203</u> | <u>11,867</u> | <u>59,002</u> | | |

Termination Benefits

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

At June 30, 2011, the District has an obligation to five participants with a total liability of \$95,091. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$59,002.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$154,642, \$167,710, and \$157,262 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

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

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

| | |
|--|----------------------|
| | \$ |
| Annual required contribution | 19,396 |
| Interest on net OPEB obligation | 328 |
| Adjustment to annual required contribution | <u>(1,327)</u> |
| Annual OPEB cost | 18,397 |
| Contributions made | <u>6,530</u> |
| Increase in net OPEB obligation | 11,867 |
| Net OPEB obligation beginning of year | <u>13,110</u> |
| Net OPEB obligation end of year | <u><u>24,977</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$6,530 to the medical plan. Plan members eligible for benefits contributed \$30,616, or 82% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

| <u>Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------------|-----------------------------|---|--------------------------------|
| | \$ | % | \$ |
| June 30, 2010 | 18,174 | 27.9% | 13,110 |
| June 30, 2011 | 18,397 | 35.4% | 24,977 |

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$167,196, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$167,196. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,822,000, and the ratio of the UAAL to covered payroll was 9.2%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$164,682 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.

10. Lease Commitments

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

| <u>Year Ending June 30,</u> | <u>Lease Payments</u> |
|-----------------------------|---------------------------|
| | \$ |
| 2012 | 20,180 |
| 2013 | 20,180 |
| 2014 | 3,752 |
| | <u>44,112</u> |

11. Categorical Funding

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

| <u>Program</u> | <u>Amount</u> |
|--|---------------|
| | \$ |
| Gifted and talented | 24,393 |
| Teacher salary supplement | 20,429 |
| Statewide voluntary preschool | 3,816 |
| Educator quality, professional development | 6,565 |
| Limited English Proficiency | 15,523 |
| Core Curriculum | 6,573 |
| | <u>77,299</u> |

12. Accounting Change/Restatement

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

| | <u>Capital Projects</u> | <u>Special Revenue, Physical Plant and Equipment Levy</u> |
|---|-----------------------------|---|
| | \$ | \$ |
| Balances June 30, 2010, as previously reported | 375,781 | 176,435 |
| Change in fund type classification per implementation of GASB Statement No. 54 | <u>176,435</u> | <u>(176,435)</u> |
| Balances July 1, 2010, as restated | <u>552,216</u> | <u>-</u> |

13. Construction Commitment

The District has entered into contracts totaling \$191,920 for an elevator at the elementary school. As of June 30, 2011 costs of \$8,750 had been incurred against the contracts. The balances remaining at June 30, 2011 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2011

| | Governmental Fund Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|---|-----------------------------|----------------------------|-------------------------|-------------------------|-------------------------|---|
| | | | | Original | Final | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | |
| Local sources | 3,550,232 | 169,676 | 3,719,908 | 3,066,525 | 3,066,525 | 653,383 |
| State sources | 1,611,456 | 2,608 | 1,614,064 | 1,792,920 | 1,792,920 | (178,856) |
| Federal sources | 225,795 | 109,755 | 335,550 | 252,000 | 252,000 | 83,550 |
| Total revenues | <u>5,387,483</u> | <u>282,039</u> | <u>5,669,522</u> | <u>5,111,445</u> | <u>5,111,445</u> | <u>558,077</u> |
| Expenditures/Expenses: | | | | | | |
| Instruction | 3,340,865 | - | 3,340,865 | 3,428,653 | 3,428,653 | 87,788 |
| Support services | 1,247,985 | - | 1,247,985 | 1,742,768 | 1,742,768 | 494,783 |
| Non-instructional programs | - | 285,594 | 285,594 | 317,748 | 317,748 | 32,154 |
| Other expenditures | 408,126 | - | 408,126 | 727,299 | 727,299 | 319,173 |
| Total expenditures/expenses | <u>4,996,976</u> | <u>285,594</u> | <u>5,282,570</u> | <u>6,216,468</u> | <u>6,216,468</u> | <u>933,898</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | 390,507 | (3,555) | 386,952 | (1,105,023) | (1,105,023) | 1,491,975 |
| Other financing sources net | <u>20,504</u> | <u>15,882</u> | <u>36,386</u> | <u>2,500</u> | <u>2,500</u> | <u>33,886</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses | 411,011 | 12,327 | 423,338 | (1,102,523) | (1,102,523) | 1,525,861 |
| Balance beginning of year | <u>792,701</u> | <u>38,964</u> | <u>831,665</u> | <u>995,784</u> | <u>995,784</u> | <u>(164,119)</u> |
| Balance end of year | <u><u>1,203,712</u></u> | <u><u>51,291</u></u> | <u><u>1,255,003</u></u> | <u><u>(106,739)</u></u> | <u><u>(106,739)</u></u> | <u><u>1,361,742</u></u> |

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

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

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) \$ | Actuarial Accrued Liability (AAL) (b) \$ | Unfunded AAL (UAAL) (b-a) \$ | Funded Ratio (a/b) % | Covered Payroll (c) \$ | UAAL as a Percentage of Covered Payroll ((b-a)/c) % |
|---------------------------|--------------------------------|--|---|--|---------------------------------|---------------------------------|--|
| 2010 | July 1, 2009 | - | 169,443 | 169,443 | 0.0% | 2,144,000 | 7.9% |
| 2011 | July 1, 2009 | - | 167,196 | 167,196 | 0.0% | 1,822,000 | 9.2% |

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

OTHER SUPPLEMENTARY INFORMATION

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

| Assets | Special Revenue Funds | | Total |
|--|-----------------------|---------------|----------------|
| | Management | Student | |
| | Levy | Activity | |
| | | Fund | |
| | \$ | \$ | \$ |
| Cash and pooled investments | 154,116 | 33,093 | 187,209 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 1,529 | - | 1,529 |
| Succeeding year | 100,000 | - | 100,000 |
| Accrued interest | - | 5 | 5 |
| Total assets | 255,645 | 33,098 | 288,743 |
| Liabilities & Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | 5,366 | 464 | 5,830 |
| Deferred revenue: | | | |
| Succeeding year property tax | 100,000 | - | 100,000 |
| Total liabilities | 105,366 | 464 | 105,830 |
| Fund balances: | | | |
| Restricted for: | | | |
| Management levy purposes | 150,279 | - | 150,279 |
| Student activities | - | 32,634 | 32,634 |
| Total fund balances | 150,279 | 32,634 | 182,913 |
| Total liabilities and fund balances | 255,645 | 33,098 | 288,743 |

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

| | <u>Special Revenue Funds</u> | | <u>Total</u> |
|---|------------------------------|----------------------|-----------------------|
| | <u>Management</u> | <u>Student</u> | |
| | <u>Levy</u> | <u>Activity</u> | |
| | \$ | \$ | \$ |
| Revenues: | | | |
| Local sources: | | | |
| Local tax | 98,962 | - | 98,962 |
| Other | 6,483 | 36,675 | 43,158 |
| State sources | 49 | - | 49 |
| Total revenues | <u>105,494</u> | <u>36,675</u> | <u>142,169</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 62,002 | - | 62,002 |
| Other | - | 47,974 | 47,974 |
| Support services: | | | |
| Student | - | 283 | 283 |
| Instructional staff | 8,000 | - | 8,000 |
| Administration | 5,579 | 2,332 | 7,911 |
| Operation and maintenance of plant services | 45,385 | - | 45,385 |
| Total expenditures | <u>120,966</u> | <u>50,589</u> | <u>171,555</u> |
| Excess (deficiency) of revenues over (under) expenditures | (15,472) | (13,914) | (29,386) |
| Fund balances beginning of year, as restated | <u>165,751</u> | <u>46,548</u> | <u>212,299</u> |
| Fund balances end of year | <u><u>150,279</u></u> | <u><u>32,634</u></u> | <u><u>182,913</u></u> |

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2011

| | Enterprise Funds | | |
|---|---------------------|--------------|---------------|
| | School Nutrition | Daycare | Total |
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | - | 5,016 | 5,016 |
| Accounts receivable | 1,005 | 4,015 | 5,020 |
| Due from other governments | 6,862 | 211 | 7,073 |
| Inventories | 11,984 | - | 11,984 |
| Capital assets, net of accumulated depreciation | 27,826 | - | 27,826 |
| Total assets | 47,677 | 9,242 | 56,919 |
| Liabilities | | | |
| Interfund payable | 1,347 | - | 1,347 |
| Accounts payable | 2,801 | 442 | 3,243 |
| Salaries and benefits payable | 94 | - | 94 |
| Deferred revenue | 944 | - | 944 |
| Total liabilities | 5,186 | 442 | 5,628 |
| Net assets | | | |
| Invested in capital assets | 27,826 | - | 27,826 |
| Unrestricted | 14,665 | 8,800 | 23,465 |
| Total net assets | 42,491 | 8,800 | 51,291 |

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

Year ended June 30, 2011

| | Enterprise Funds | | |
|--|---------------------------|---------------|-------------|
| | School Nutrition \$ | Daycare \$ | Total \$ |
| Operating revenues: | | | |
| Local sources: | | | |
| Charges for service | 90,146 | 78,658 | 168,804 |
| Operating expenses: | | | |
| Salaries | 74,516 | 63,374 | 137,890 |
| Benefits | 10,753 | 8,946 | 19,699 |
| Purchased services | 875 | 12,934 | 13,809 |
| Supplies | 103,895 | 5,356 | 109,251 |
| Depreciation | 4,945 | - | 4,945 |
| Total operating expenses | 194,984 | 90,610 | 285,594 |
| Operating income (loss) | (104,838) | (11,952) | (116,790) |
| Non-operating revenues: | | | |
| State sources | 1,708 | 900 | 2,608 |
| Federal sources | 100,010 | 9,745 | 109,755 |
| Donations | - | 815 | 815 |
| Interest income | 5 | 52 | 57 |
| Total non-operating revenues | 101,723 | 11,512 | 113,235 |
| Income (loss) before capital contributions | (3,115) | (440) | (3,555) |
| Capital contributions | 15,882 | - | 15,882 |
| Change in net assets | 12,767 | (440) | 12,327 |
| Net assets beginning of year | 29,724 | 9,240 | 38,964 |
| Net assets end of year | 42,491 | 8,800 | 51,291 |

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

| | Enterprise Funds | | |
|--|---------------------------|-----------------|-----------------|
| | School Nutrition \$ | Daycare \$ | Total \$ |
| Cash flows from operating activities: | | | |
| Cash received from sale of lunches and breakfasts | 89,368 | - | 89,368 |
| Cash received from daycare services | - | 76,814 | 76,814 |
| Cash payments to employees for services | (85,269) | (72,646) | (157,915) |
| Cash payments to suppliers for goods or services | (89,961) | (18,290) | (108,251) |
| Net cash used by operating activities | <u>(85,862)</u> | <u>(14,122)</u> | <u>(99,984)</u> |
| Cash flows from non-capital financing activities: | | | |
| Loan from General Fund | 1,347 | - | 1,347 |
| Donations | - | 815 | 815 |
| State grants received | 1,708 | 900 | 2,608 |
| Federal grants received | 80,196 | 10,699 | 90,895 |
| Net cash provided by non-capital financing activities | <u>83,251</u> | <u>12,414</u> | <u>95,665</u> |
| Cash flows from capital and related financing activities | - | - | - |
| Cash flows from investing activities: | | | |
| Interest on investments | <u>5</u> | <u>52</u> | <u>57</u> |
| Net increase (decrease) in cash and cash equivalents | (2,606) | (1,656) | (4,262) |
| Cash and cash equivalents at beginning of year | <u>2,606</u> | <u>6,672</u> | <u>9,278</u> |
| Cash and cash equivalents at end of year | <u>-</u> | <u>5,016</u> | <u>5,016</u> |
| Reconciliation of operating income (loss) to net cash used by operating activities: | | | |
| Operating income (loss) | (104,838) | (11,952) | (116,790) |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: | | | |
| Commodities used | 12,952 | - | 12,952 |
| Depreciation | 4,945 | - | 4,945 |
| Decrease (increase) in inventories | (412) | - | (412) |
| Decrease (increase) in accounts receivable | (907) | (1,844) | (2,751) |
| (Decrease) increase in accounts payable | 2,269 | (326) | 1,943 |
| (Decrease) increase in deferred revenue | 129 | - | 129 |
| Net cash used by operating activities | <u>(85,862)</u> | <u>(14,122)</u> | <u>(99,984)</u> |

SCHALLER-CRESTLAND 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 | 446,775 | 175,761 | 622,536 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | 1,200 | 1,200 |
| Succeeding year | - | 135,021 | 135,021 |
| Accrued interest | 22 | 10 | 32 |
| Due from other governments | 72,218 | 56,491 | 128,709 |
| Total assets | 519,015 | 368,483 | 887,498 |
| Liabilities & Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | 19,929 | 2,480 | 22,409 |
| Deferred revenue: | | | |
| Succeeding year property tax | - | 135,021 | 135,021 |
| Income surtax | - | 56,491 | 56,491 |
| Total liabilities | 19,929 | 193,992 | 213,921 |
| Fund balances: | | | |
| Restricted for: | | | |
| School infrastructure | 499,086 | - | 499,086 |
| Physical plant and equipment | - | 174,491 | 174,491 |
| Total fund balances | 499,086 | 174,491 | 673,577 |
| Total liabilities and fund balances | 519,015 | 368,483 | 887,498 |

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Year ended June 30, 2011

| | Capital Projects | | Total |
|---|--|--|-----------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | |
| | \$ | \$ | \$ |
| Revenues: | | | |
| Local sources: | | | |
| Local tax | 265,639 | 168,253 | 433,892 |
| Other | 4,028 | 2,722 | 6,750 |
| State sources | - | 39 | 39 |
| Total revenues | <u>269,667</u> | <u>171,014</u> | <u>440,681</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular instruction | 42,814 | - | 42,814 |
| Support services: | | | |
| Administration services | - | 10,994 | 10,994 |
| Transportation services | 814 | 41,253 | 42,067 |
| Other expenditures: | | | |
| Facilities acquisition | 102,734 | 140,710 | 243,444 |
| Total expenditures | <u>146,362</u> | <u>192,957</u> | <u>339,319</u> |
| Excess (deficiency) of revenues over (under) expenditures | 123,305 | (21,943) | 101,362 |
| Other financing sources (uses): | | | |
| Compensation for loss of fixed assets | - | 19,999 | 19,999 |
| Net change in fund balance | 123,305 | (1,944) | 121,361 |
| Fund balances beginning of year, as restated | <u>375,781</u> | <u>176,435</u> | <u>552,216</u> |
| Fund balance end of year | <u><u>499,086</u></u> | <u><u>174,491</u></u> | <u><u>673,577</u></u> |

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

| <u>Account</u> | Balance | <u>Revenues</u> | <u>Expenditures</u> | Balance End |
|--------------------------------------|---------------|-----------------|---------------------|---------------|
| | Beginning of | | | |
| | \$ | \$ | \$ | \$ |
| Cross country | 1 | 964 | 965 | - |
| SCCS students | 997 | 434 | 432 | 999 |
| Activity tickets | 1,272 | 3,475 | 4,747 | - |
| Tournaments | 537 | - | 537 | - |
| Activity resale | 192 | 432 | 541 | 83 |
| Concession stand | 1,915 | 5,746 | 6,656 | 1,005 |
| Speech | 422 | 23 | 445 | - |
| Band resale | 1 | 1,359 | 1,360 | - |
| Basketball boys | - | 1,520 | 1,520 | - |
| Football | 3,550 | - | 776 | 2,774 |
| Boys track | - | 2,045 | 2,045 | - |
| Wrestling | - | 384 | 384 | - |
| Girls basketball | - | 1,521 | 1,521 | - |
| Volleyball | 1,010 | 200 | 1,210 | - |
| Girls track | 1 | 1,934 | 1,935 | - |
| Class of 2008 | - | 80 | 80 | - |
| Class of 2009 | 135 | 70 | 205 | - |
| Class of 2010 | 420 | - | 420 | - |
| Class of 2011 | 2,440 | - | 321 | 2,119 |
| Class of 2012 | 2,100 | 825 | 2,925 | - |
| Class of 2013 | 1,156 | - | - | 1,156 |
| Reducing raptors club | - | 958 | 283 | 675 |
| FFA club | 7,551 | 1,030 | 6,052 | 2,529 |
| Cheerleaders | 369 | 1,825 | 2,194 | - |
| Student council | 655 | - | 655 | - |
| Middle school student council | 3,888 | 5,322 | 6,856 | 2,354 |
| Peerhelpers | 300 | 932 | 487 | 745 |
| Teacher soda club school improvement | 204 | 255 | 208 | 251 |
| Industrial arts club | 4 | - | 4 | - |
| Annual | 9,491 | 1,020 | 2,331 | 8,180 |
| Tatu | 12 | 2,434 | - | 2,446 |
| Dance squad | 2,973 | - | 1,825 | 1,148 |
| K-8 activity | 4,833 | 1,887 | 550 | 6,170 |
| Shop resale | 119 | - | 119 | - |
| Total | 46,548 | 36,675 | 50,589 | 32,634 |

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

| | Modified Accrual Basis | | | | | | | |
|---------------------------|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | | | |
| Local sources: | | | | | | | | |
| Local tax | 2,691,484 | 2,542,636 | 2,404,839 | 2,108,773 | 2,003,439 | 1,894,671 | 1,909,613 | 1,846,569 |
| Tuition | 660,360 | 49,141 | 58,821 | 107,730 | 115,352 | 76,040 | 63,905 | 116,029 |
| Other | 198,388 | 164,695 | 162,369 | 217,772 | 218,215 | 205,049 | 185,614 | 158,845 |
| Intermediate sources | - | - | 15,000 | - | - | - | 7,243 | - |
| State sources | 1,611,456 | 1,394,092 | 1,787,233 | 1,955,362 | 2,103,656 | 2,013,357 | 1,853,769 | 1,687,932 |
| Federal sources | 225,795 | 410,510 | 147,036 | 139,130 | 150,331 | 161,885 | 172,295 | 177,364 |
| Total revenues | <u>5,387,483</u> | <u>4,561,074</u> | <u>4,575,298</u> | <u>4,528,767</u> | <u>4,590,993</u> | <u>4,351,002</u> | <u>4,192,439</u> | <u>3,986,739</u> |
| Expenditures: | | | | | | | | |
| Instruction: | | | | | | | | |
| Regular | 2,399,561 | 2,045,353 | 2,066,279 | 1,999,387 | 1,952,829 | 1,775,981 | 1,712,439 | 1,754,881 |
| Special | 465,085 | 349,002 | 392,626 | 350,382 | 345,346 | 346,354 | 342,119 | 446,301 |
| Other | 476,219 | 620,725 | 556,286 | 431,628 | 449,753 | 424,603 | 443,700 | 341,820 |
| Support services: | | | | | | | | |
| Student | 72,272 | 44,291 | 44,471 | 86,669 | 76,667 | 92,231 | 89,577 | 77,294 |
| Instructional staff | 161,526 | 155,061 | 149,084 | 126,342 | 104,547 | 114,593 | 84,785 | 36,097 |
| Administration | 440,571 | 480,326 | 447,824 | 446,237 | 442,108 | 429,347 | 404,567 | 509,014 |
| Operation and maintenance | 287,224 | 309,559 | 306,937 | 326,191 | 330,410 | 328,591 | 343,063 | 350,241 |
| Transportation | 286,392 | 238,315 | 227,415 | 235,217 | 240,616 | 299,100 | 203,743 | 145,031 |
| Other expenditures: | | | | | | | | |
| Facilities acquisition | 243,444 | 415,877 | 186,140 | 298,670 | 295,589 | 175,334 | 262,146 | 194,971 |
| AEA flowthrough | 164,682 | 163,420 | 150,332 | 147,520 | 147,082 | 142,346 | 140,942 | 144,357 |
| Total expenditures | <u>4,996,976</u> | <u>4,821,929</u> | <u>4,527,394</u> | <u>4,448,243</u> | <u>4,384,947</u> | <u>4,128,480</u> | <u>4,027,081</u> | <u>4,000,007</u> |

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 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 Schaller-Crestland Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Schaller-Crestland Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Schaller-Crestland Community School District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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.

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

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

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

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

March 2, 2012

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal control deficiencies:

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

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

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

Conclusion: Response accepted.

11-I-B Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices or payroll data, issue the command to print checks and to receive the checks from the printer. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

District Response: We will discuss methods to remain efficient, yet have adequate controls.

Conclusion: Response accepted.

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

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

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

11-II-A Certified Budget: Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.

11-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

11-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

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

The transaction does not appear to represent a conflict of interest since the dollar amount did not exceed \$2,500.

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

11-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board. We did note that the minutes from one special meeting were not published as required by the Code of Iowa.

Recommendation: Minutes should be published within two weeks of the meeting as required by the Code of Iowa.

District Response: The omission of the special meeting minutes was an oversight.

Conclusion: Response accepted.

11-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

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

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

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

11-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

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

11-II-L Statewide Sales, Services and Use Tax: The District's revenue purpose statement allows the District to use its sales tax revenues for any purposes that are allowable for the Physical Plant and Equipment (PPEL) property tax levy. Maintenance expenditures are not allowed from the PPEL levy. We noted that \$1,400 for a bleacher inspection was paid from sales tax monies. This does not appear to be an appropriate use.

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

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

Conclusion: Response accepted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (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 | | 375,781 |
| Revenues/transfers in: | | |
| Statewide sales, services and use tax revenue | 265,639 | |
| Interest | 3,940 | |
| Other local revenues | 88 | 269,667 |
| Expenditures/transfers out: | | |
| School infrastructure construction | 37,798 | |
| Equipment | 108,564 | 146,362 |
| Ending balance | | 499,086 |

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

11-II-M Physical Plant and Equipment Levy Fund Expenditures (PPEL): The PPEL property tax levy may be spent to purchase and improve grounds; to construct buildings; to purchase or lease a single unit of equipment or technology exceeding \$500 in value per unit; to repair, remodel improve, or expand buildings; for energy conservation; and to purchase transportation equipment. Maintenance is not an allowable expenditure.

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

We noted that the District used the PPEL Fund to pay \$1,340 for snow removal, \$2,292 for gym floor care products, \$1,730 for equipment repairs, \$2,151 for fire extinguisher inspections, and \$688 for fire alarm inspections. These items do not appear to be allowable from the PPEL Fund.

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

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

Conclusion: Response accepted.