

STANTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Stanton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jeff Magneson	President	2011
Mark Lindgren	Vice President	2013
Brian Bates	Board Member	2013
Paul Vanderholm	Board Member	2011
Jeff Sorenson	Board Member	2013
School Officials		
Judd Ashley	Superintendent	2011
Vicky King	District Secretary	2011
Shirley Maxwell	Business Manager	2011
Ahlers & Cooney	Attorney	2011

STANTON COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Stanton Community School District, Stanton, Iowa as of and for the year ended June 30, 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 the Stanton Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2012 on our consideration of the Stanton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Findings Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Stanton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

February 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,381,941 in fiscal 2010 to \$2,476,838 in fiscal 2011, while General Fund expenditures decreased from \$2,470,000 in fiscal 2010 to \$2,461,783. This resulted in an increase in the General Fund balance from \$223,361 in fiscal 2010 to \$238,416, which was a 6.74% increase from the prior year.
- The increase in General Fund revenues is attributable in part to an increase in local taxes and state source revenue received. The decrease in expenditures is attributable to early retirement of two teachers, and the combining of the 6th grade class with the Junior High Classes.
- The District's solvency ratio increased from 6.05% at June 30, 2010 to 6.41% at June 30, 2011.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

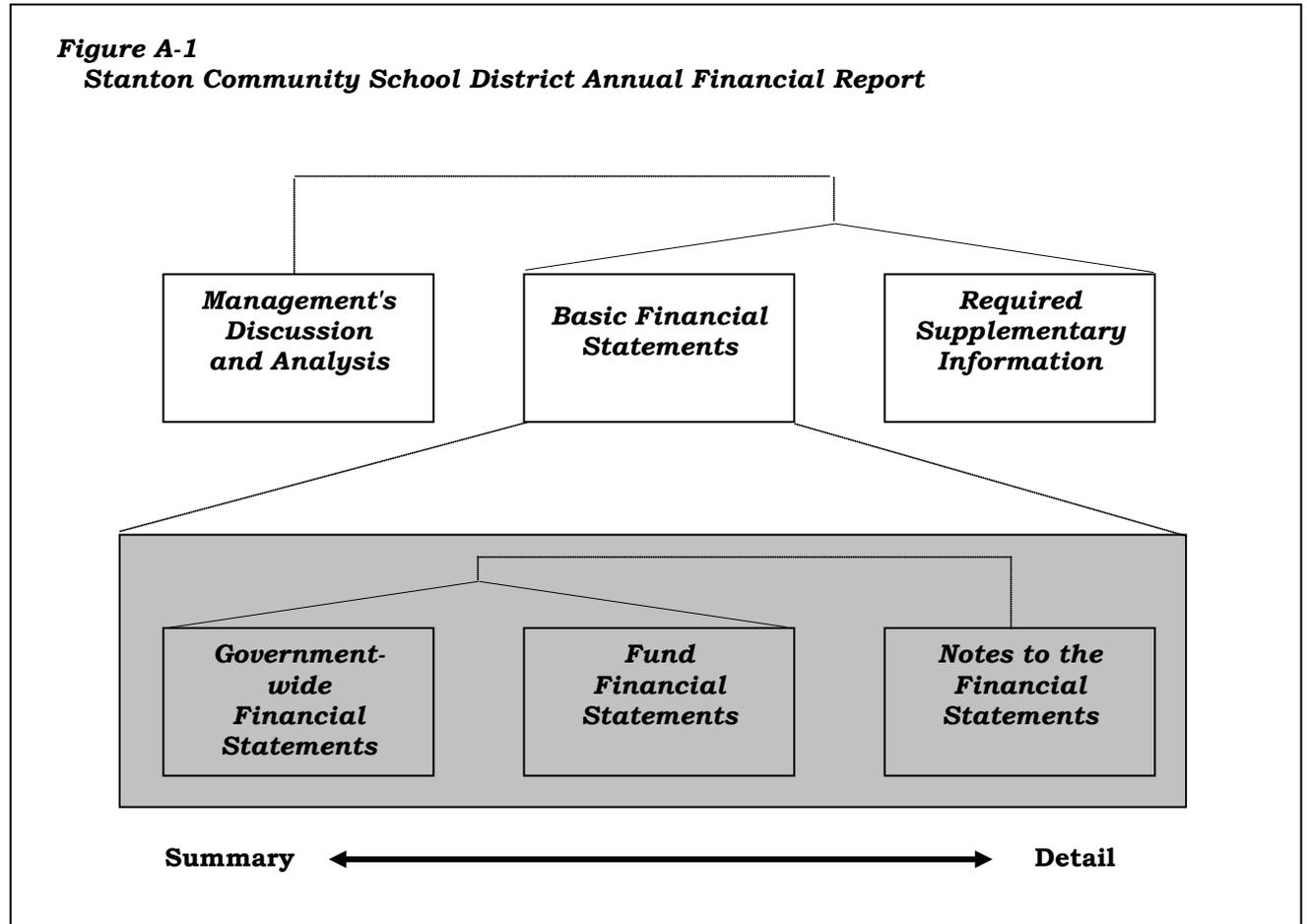


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

1. *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

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

2. *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements.

The District's enterprise funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

3. *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Figure A-3 Condensed Statement of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 2,021,159	1,807,095	36,376	30,782	2,057,535	1,837,877	11.95%
Capital assets	1,216,720	1,277,314	16,819	13,170	1,233,539	1,290,484	-4.41%
Total assets	3,237,879	3,084,409	53,195	43,952	3,291,074	3,128,361	5.20%
Long-term liabilities	57,150	51,801	0	0	57,150	51,801	10.33%
Other liabilities	1,231,387	1,059,559	1,912	3,014	1,233,299	1,062,573	16.07%
Total liabilities	1,288,537	1,111,360	1,912	3,014	1,290,449	1,114,374	15.80%
Net assets:							
Invested in capital assets	1,216,720	1,277,314	16,819	13,170	1,233,539	1,290,484	-4.41%
Restricted	547,275	495,839	0	0	547,275	495,839	10.37%
Unrestricted	185,347	199,896	34,464	27,768	219,811	227,664	-3.45%
Total net assets	\$ 1,949,342	1,973,049	51,283	40,938	2,000,625	2,013,987	-0.66%

The District's combined net assets decreased by 0.66% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 10.37% over the prior year. The majority of the increase in restricted net assets was due to increases in the fund balances of the Student Activity Fund and Management Fund.

Unrestricted net assets – are the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased 3.45% over the prior year. The majority of the decrease in unrestricted net assets was due to higher restricted fund balances from the funds.

Figure A-4 illustrates the impact that results of operations had on changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

	Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2011	2010	2011	2010	2011	2010	2010-11	
Revenues:								
Program revenues:								
Charges for services	\$ 571,690	626,998	64,914	73,620	636,604	700,618	-9.14%	
Operating grants, contributions and restricted interest	224,931	481,544	48,949	45,972	273,880	527,516	-48.08%	
Capital grants, contributions and restricted interest	1,000	0	0	0	1,000	0	100.00%	
General revenues:								
Property tax	749,764	669,806	0	0	749,764	669,806	11.94%	
Income surtax	78,141	92,817	0	0	78,141	92,817	-15.81%	
Statewide sales, services and use tax	132,517	124,778	0	0	132,517	124,778	6.20%	
Unrestricted state grants	919,364	674,733	0	0	919,364	674,733	36.26%	
Nonspecific program federal grants	60,956	0	0	0	60,956	0	100.00%	
Other	71,998	54,702	18	335	72,016	55,037	30.85%	
Transfers	(6,462)	(3,399)	6,462	3,399	0	0	0.00%	
Total revenues	<u>2,803,899</u>	<u>2,721,979</u>	<u>120,343</u>	<u>123,326</u>	<u>2,924,242</u>	<u>2,845,305</u>	<u>2.77%</u>	
Program expenses:								
Governmental activities:								
Instruction	1,766,080	1,877,767	0	0	1,766,080	1,877,767	-5.95%	
Support services	926,191	766,474	0	0	926,191	766,474	20.84%	
Non-instructional programs	1,100	1,450	109,998	112,075	111,098	113,525	-2.14%	
Other expenses	134,235	147,027	0	0	134,235	147,027	-8.70%	
Total expenses	<u>2,827,606</u>	<u>2,792,718</u>	<u>109,998</u>	<u>112,075</u>	<u>2,937,604</u>	<u>2,904,793</u>	<u>1.13%</u>	
Changes in net assets	(23,707)	(70,739)	10,345	11,251	(13,362)	(59,488)	-77.54%	
Net assets beginning of year, as restated	<u>1,973,049</u>	<u>2,043,788</u>	<u>40,938</u>	<u>29,687</u>	<u>2,013,987</u>	<u>2,073,475</u>	<u>-2.87%</u>	
Net assets end of year	<u>\$ 1,949,342</u>	<u>1,973,049</u>	<u>51,283</u>	<u>40,938</u>	<u>2,000,625</u>	<u>2,013,987</u>	<u>-0.66%</u>	

Property tax, unrestricted state grants, and charges for services account for 79.92% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for 94.62% of the revenue from business type activities.

The District's total revenues were approximately \$2.92 million, of which approximately \$2.80 million was for governmental activities and approximately \$.12 million was for business type activities.

Governmental Activities

Total revenues for all of the Districts' governmental activities were \$2,803,899, an increase of 3.01% over the prior year. Total expenses for all of the Districts' governmental activities were \$2,827,606, an increase of 1.25% from the prior year

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

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 1,766,080	1,877,767	-5.95%	1,057,279	854,122	23.79%
Support services	926,191	766,474	20.84%	922,305	766,474	20.33%
Non-instructional programs	1,100	1,450	-24.14%	1,100	1,450	-24.14%
Other expenses	134,235	147,027	-8.70%	49,301	62,130	-20.65%
Totals	<u>\$ 2,827,606</u>	<u>2,792,718</u>	<u>1.25%</u>	<u>2,029,985</u>	<u>1,684,176</u>	<u>20.53%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$571,690.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$224,931, and capital grants and contributions totaling \$1,000.
- The net cost portion of governmental activities was financed with \$749,764 in property tax, \$78,141 in income surtax, \$132,517 in statewide sales, services and use tax, \$919,364 in unrestricted state grants, \$60,956 in nonspecific program federal grants, \$3,274 in unrestricted investment earnings, and \$62,262 in other general revenues net of transfers.

Business Type Activities

The District's only business type activity is the School Nutrition Fund. Revenues of the District's business type activities totaled \$120,343 in 2011, which is a decrease of 2.42% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses decreased 1.85% to \$109,998 for business type activities in 2011.

INDIVIDUAL FUND ANALYSIS

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

As the District completed the year, its governmental funds reported combined net assets of \$704,683, an increase of \$43,048 from last year's ending fund balances of \$661,635. The majority of the increase in combined net assets was due to increased fund balances of the Management Levy and Student Activity Fund.

Governmental Fund Highlights

- The General Fund balance increased from \$223,361 in fiscal 2010 to \$238,416 in fiscal 2011. The majority of the increase in fund balance was due to the increase in General Fund local taxes and state source revenue received.
- The Capital Projects Fund increased from \$222,416 in fiscal 2010 to \$224,737 in fiscal 2011. The increase in fund balance was due to increased revenues and decreased expenditures as compared to the previous year. The beginning balance was restated as a result of the Physical Plant and Equipment Levy fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$40,938 in fiscal 2010 to \$51,283 in fiscal 2011, representing an increase of approximately 25.27%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$73,635 less than budgeted revenues, a variance of 2.46%. The most significant variance resulted from the District receiving less in state source revenue than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2011, the District had invested governmental funds of \$1,233,539, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, and transportation equipment. (See Figure A-6). More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$84,560.

The original cost of the District's capital assets was \$2,653,383. Governmental funds account for \$2,600,694 with the remainder of \$52,689 in the Proprietary, School Nutrition Fund.

In comparing fiscal 2011 to fiscal 2010, the largest percentage change in capital assets activity occurred in the machinery and equipment category. The District's machinery and equipment totaled \$89,188 at June 30, 2011 compared to \$109,583 at June 30, 2010. The decrease was attributable to the disposal of computers and desks during the year combined with depreciation expense taken during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 52,726	52,726	0	0	52,726	52,726	0.00%
Buildings	1,030,416	1,062,221	0	0	1,030,416	1,062,221	-3.09%
Land improvements	61,209	65,954	0	0	61,209	65,954	-7.75%
Machinery and equipment	72,369	96,413	16,819	13,170	89,188	109,583	-22.87%
Total	\$ 1,216,720	1,277,314	16,819	13,170	1,233,539	1,290,484	-4.41%

Long-Term Debt

At June 30, 2011, the District had \$57,150 in total long-term debt outstanding. This represents an increase of 10.33% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

	Figure A-7		
	Outstanding Long-term Obligations		
	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
Early retirement	\$ 0	21,801	-100.00%
Net OPEB liability	57,150	30,000	90.50%
Totals	<u>\$ 57,150</u>	<u>51,801</u>	<u>10.33%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The impact of the world-wide recession and continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes where possible. Due to declining enrollment, the District has not received any new money for the past six years, and the state legislature's rollback in the budget guarantee will continue to have a negative impact on funding for the District.
- A significant number of students open enrolled into the Stanton School District and relatively few open enrolled out currently has a substantially positive impact on funding. The goal of the District is to continue providing a top quality educational program with high student expectations in all areas so Stanton Community School will continue to be an excellent school where all children can succeed.
- The addition in summer 2005 of the Stanton Child Resource Center in Stanton, a preschool and daycare facility, is an enhancement for the entire community and potentially will lead to an increase in the number of students open enrolled into the school district.
- On July 1, 2011, the IPERS increase to 8.07% will increase the Stanton Community Schools employer benefits costs during fiscal 2012. An additional increase to 8.67% is anticipated for FY13.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

STANTON COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 969,391	31,068	1,000,459
Receivables:			
Property tax:			
Delinquent	10,213	0	10,213
Succeeding year	875,142	0	875,142
Income surtax	85,089	0	85,089
Accounts	120	208	328
Due from other governments	81,204	0	81,204
Inventories	0	5,100	5,100
Capital assets, net of accumulated depreciation	1,216,720	16,819	1,233,539
Total assets	3,237,879	53,195	3,291,074
Liabilities			
Accounts payable	125,111	185	125,296
Salaries and benefits payable	231,134	0	231,134
Deferred revenue:			
Succeeding year property tax	875,142	0	875,142
Unearned revenue	0	1,727	1,727
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	57,150	0	57,150
Total liabilities	1,288,537	1,912	1,290,449
Net assets			
Invested in capital assets	1,216,720	16,819	1,233,539
Restricted for:			
Categorical funding	79,713	0	79,713
Management levy purposes	141,386	0	141,386
Student activities	101,439	0	101,439
School infrastructure	179,152	0	179,152
Physical plant and equipment	45,585	0	45,585
Unrestricted	185,347	34,464	219,811
Total net assets	\$ 1,949,342	51,283	2,000,625

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular	\$ 1,072,476	390,602	64,639	0	(617,235)	0	(617,235)
Special	270,702	52,497	9,963	0	(208,242)	0	(208,242)
Other	422,902	128,591	62,509	0	(231,802)	0	(231,802)
	<u>1,766,080</u>	<u>571,690</u>	<u>137,111</u>	<u>0</u>	<u>(1,057,279)</u>	<u>0</u>	<u>(1,057,279)</u>
Support services:							
Student	83,537	0	0	0	(83,537)	0	(83,537)
Instructional staff	36,489	0	0	0	(36,489)	0	(36,489)
Administration	384,079	0	0	0	(384,079)	0	(384,079)
Operation and maintenance of plant	318,939	0	0	1,000	(317,939)	0	(317,939)
Transportation services	103,147	0	2,886	0	(100,261)	0	(100,261)
	<u>926,191</u>	<u>0</u>	<u>2,886</u>	<u>1,000</u>	<u>(922,305)</u>	<u>0</u>	<u>(922,305)</u>
Non-instructional programs	1,100	0	0	0	(1,100)		(1,100)
Other expenditures:							
AEA flowthrough	84,934	0	84,934	0	0	0	0
Depreciation(unallocated)*	49,301	0	0	0	(49,301)	0	(49,301)
	<u>134,235</u>	<u>0</u>	<u>84,934</u>	<u>0</u>	<u>(49,301)</u>	<u>0</u>	<u>(49,301)</u>
Total governmental activities	<u>2,827,606</u>	<u>571,690</u>	<u>224,931</u>	<u>1,000</u>	<u>(2,029,985)</u>	<u>0</u>	<u>(2,029,985)</u>
Business Type activities:							
Non-instructional programs:							
Nutrition services	109,998	64,914	48,949	0	0	3,865	3,865
Total business-type activities	<u>109,998</u>	<u>64,914</u>	<u>48,949</u>	<u>0</u>	<u>0</u>	<u>3,865</u>	<u>3,865</u>
Total	<u>\$ 2,937,604</u>	<u>636,604</u>	<u>273,880</u>	<u>1,000</u>	<u>(2,029,985)</u>	<u>3,865</u>	<u>(2,026,120)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes				\$	731,866	0	731,866
Capital outlay					17,898	0	17,898
Income surtax					78,141	0	78,141
Statewide sales, services and use tax					132,517	0	132,517
Unrestricted state grants					919,364	0	919,364
Nonspecific program federal grants					60,956	0	60,956
Unrestricted investment earnings					3,274	18	3,292
Other					68,724	0	68,724
Transfers					(6,462)	6,462	0
Total general revenues and transfers					<u>2,006,278</u>	<u>6,480</u>	<u>2,012,758</u>
Changes in net assets					(23,707)	10,345	(13,362)
Net assets beginning of year					<u>1,973,049</u>	<u>40,938</u>	<u>2,013,987</u>
Net assets end of year					<u>\$ 1,949,342</u>	<u>51,283</u>	<u>2,000,625</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:	\$ 483,893	244,647	240,851	969,391
Receivables:				
Property tax:				
Delinquent	9,290	244	679	10,213
Succeeding year	805,866	19,276	50,000	875,142
Income surtax	85,089	0	0	85,089
Accounts	120	0	0	120
Due from other governments	44,080	37,124	0	81,204
Total assets	\$ 1,428,338	301,291	291,530	2,021,159
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 67,833	57,278	0	125,111
Salaries and benefits payable	231,134	0	0	231,134
Deferred revenue:				
Succeeding year property tax	805,866	19,276	50,000	875,142
Income surtax	85,089	0	0	85,089
Total liabilities	1,189,922	76,554	50,000	1,316,476
Fund balances:				
Restricted for:				
Categorical funding	79,713	0	0	79,713
Management levy purposes	0	0	141,386	141,386
Student activities	0	0	101,439	101,439
School infrastructure	0	179,152	0	179,152
Physical plant and equipment	0	45,585	0	45,585
Unassigned:				
General	158,703	0	0	158,703
Student activities	0	0	(1,295)	(1,295)
Total fund balances	238,416	224,737	241,530	704,683
Total liabilities and fund balances	\$ 1,428,338	301,291	291,530	2,021,159

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	704,683
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,216,720
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		85,089
Long-term liabilities, including other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(57,150)</u>
Net assets of governmental activities(page 18)	\$	<u><u>1,949,342</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 760,939	150,415	49,880	961,234
Tuition	434,974	0	0	434,974
Other	83,056	1,652	136,495	221,203
State sources	1,069,759	0	0	1,069,759
Federal sources	124,003	0	0	124,003
Total revenues	<u>2,472,731</u>	<u>152,067</u>	<u>186,375</u>	<u>2,811,173</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,059,642	8,978	18,752	1,087,372
Special	268,117	0	0	268,117
Other	293,885	0	116,264	410,149
	<u>1,621,644</u>	<u>8,978</u>	<u>135,016</u>	<u>1,765,638</u>
Support services:				
Student	81,476	0	250	81,726
Instructional staff	14,105	22,134	250	36,489
Administration	372,179	0	9,533	381,712
Operation and maintenance of plant	190,628	20,684	8,224	219,536
Transportation	96,817	0	6,330	103,147
	<u>755,205</u>	<u>42,818</u>	<u>24,587</u>	<u>822,610</u>
Non-instructional programs	<u>0</u>	<u>0</u>	<u>1,100</u>	<u>1,100</u>
Other expenditures:				
Facilities acquisitions	0	97,950	0	97,950
AEA flowthrough	84,934	0	0	84,934
	<u>84,934</u>	<u>97,950</u>	<u>0</u>	<u>182,884</u>
Total expenditures	<u>2,461,783</u>	<u>149,746</u>	<u>160,703</u>	<u>2,772,232</u>
Excess of revenues over expenditures	10,948	2,321	25,672	38,941
Other financing sources:				
Proceeds from sale of equipment	4,107	0	0	4,107
Net change in fund balances	15,055	2,321	25,672	43,048
Fund balance beginning of year, as restated	223,361	222,416	215,858	661,635
Fund balance end of year	<u>\$ 238,416</u>	<u>224,737</u>	<u>241,530</u>	<u>704,683</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 43,048

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

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

Capital outlays	\$ 29,005	
Depreciation expense	(81,747)	
Loss on disposal	(7,852)	(60,594)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (812)

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

Early retirement payable	21,801	
Other postemployment benefits	(27,150)	(5,349)

Changes in net assets of governmental activities(page 19) \$ (23,707)

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2011

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 31,068
Accounts receivable	208
Inventories	5,100
Capital assets, net of accumulated depreciation	16,819
Total assets	<u>53,195</u>
Liabilities	
Accounts payable	185
Unearned revenue	1,727
Total liabilities	<u>1,912</u>
Net Assets	
Invested in capital assets	16,819
Unrestricted	34,464
Total net assets	<u>\$ 51,283</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 64,443
Miscellaneous	471
Total operating revenues	64,914
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	37,480
Benefits	5,436
Services	2,475
Supplies	61,704
Depreciation	2,813
Other	90
Total operating expenses	109,998
Operating loss	(45,084)
Non-operating revenues:	
State sources	1,248
Federal sources	47,701
Interest on investments	18
Total non-operating revenues	48,967
Net income before capital contributions	3,883
Capital contributions	6,462
Change in net assets	10,345
Net assets beginning of year	40,938
Net assets end of year	\$ 51,283

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

Exhibit I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 66,071
Cash received from miscellaneous operating activities	471
Cash payments to employees for services	(45,001)
Cash payments to suppliers for goods or services	(55,486)
Net cash used in operating activities	(33,945)
Cash flows from non-capital financing activities:	
State grants received	1,248
Federal grants received	38,032
Net cash provided by non-capital financing activities	39,280
Cash flows from investing activities:	
Interest on investments	18
Net cash provided by investing activities	18
Net increase in cash and cash equivalents	5,353
Cash and cash equivalents at beginning of year	25,715
Cash and cash equivalents at end of year	\$ 31,068
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (45,084)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,669
Depreciation	2,813
Increase in inventories	(619)
Decrease in accounts receivable	378
Decrease in accounts payable	(267)
Decrease in salaries and benefits payable	(2,085)
Increase in unearned revenue	1,250
Net cash used in operating activities	\$ (33,945)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received Federal commodities valued at \$9,669.

During the year ended June 30, 2011, the Capital Projects: Statewide Sales, Services and Use Tax Fund contributed capital of \$6,462.

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Private Purpose Trust	Scholarship
Assets		
Cash and pooled investments	\$ 51,297	
Liabilities		0
Net Assets		\$ 51,297

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 300
Interest income	2,350
Total additions	2,650
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,280
Change in net assets	1,370
Net assets beginning of year	49,927
Net assets end of year	\$ 51,297

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fund 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 spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or 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 at June 30, 2011.

(3) 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	\$ 52,726	0	0	52,726
Total capital assets not being depreciated	<u>52,726</u>	<u>0</u>	<u>0</u>	<u>52,726</u>
Capital assets being depreciated:				
Buildings	1,865,233	12,751	0	1,877,984
Land improvements	97,050	0	0	97,050
Machinery and equipment	581,895	16,254	25,215	572,934
Total capital assets being depreciated	<u>2,544,178</u>	<u>29,005</u>	<u>25,215</u>	<u>2,547,968</u>
Less accumulated depreciation for:				
Buildings	803,012	44,556	0	847,568
Land improvements	31,096	4,745	0	35,841
Machinery and equipment	485,482	32,446	17,363	500,565
Total accumulated depreciation	<u>1,319,590</u>	<u>81,747</u>	<u>17,363</u>	<u>1,383,974</u>
Total capital assets being depreciated, net	<u>1,224,588</u>	<u>(52,742)</u>	<u>7,852</u>	<u>1,163,994</u>
Governmental activities capital assets, net	<u>\$ 1,277,314</u>	<u>(52,742)</u>	<u>7,852</u>	<u>1,216,720</u>
Business type activities:				
Machinery and equipment	\$ 50,947	6,462	4,720	52,689
Less accumulated depreciation	37,777	2,813	4,720	35,870
Business type activities capital assets, net	<u>\$ 13,170</u>	<u>3,649</u>	<u>0</u>	<u>16,819</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 1,195
Other		9,229
Support services:		
Instructional staff		549
Administration		807
Operation and maintenance of plant		20,666
		32,446
Unallocated depreciation		<u>49,301</u>
Total depreciation expense - governmental activities		<u>\$ 81,747</u>
Business type activities:		
Food service operations		<u>\$ 2,813</u>

(4) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 21,801	0	21,801	0	0
Net OPEB liability	30,000	27,150	0	57,150	0
	<u>\$ 51,801</u>	<u>27,150</u>	<u>21,801</u>	<u>57,150</u>	<u>0</u>

Early Retirement

The District did not offer a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District would have paid 25% of the employee's contracted base salary in the last year of employment less the employee's share of FICA.

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$101,168, \$99,379, and \$93,401, respectively equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

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

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

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

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

The following table shows the components of the Districts 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	\$ 38,000
Interest on net OPEB obligation	1,350
Adjustment to annual required contribution	(1,200)
Annual OPEB cost	<u>38,150</u>
Contributions made	(11,000)
Increase in net OPEB obligation	<u>27,150</u>
Net OPEB obligation beginning of year	<u>30,000</u>
Net OPEB obligation end of year	<u><u>\$ 57,150</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 \$11,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 38,000	21.05%	\$ 30,000
2011	38,150	28.83%	57,150

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 \$175,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$175,000. The covered payroll (annual payroll of active employees covered by the plan) was \$987,440, and the ratio of the UAAL to covered payroll was 17.72%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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

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

(7) Risk Management

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2011 were \$230,032.

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

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$84,934 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.

(9) Categorical Funding

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

<u>Project</u>	<u>Amount</u>
Gifted and talented	\$ 46,394
Four-year-old preschool state aid	17,366
Educator quality, basic salary	10,548
Educator quality, core curriculum	325
Educator quality, professional development	5,080
Total reserved for categorical funding	<u>\$ 79,713</u>

(10) Deficit Fund Balance/Net Assets

At the year ended June 30, 2011, the Activity Fund had a deficit unassigned fund balance of \$1,295.

(11) Accounting Change/Restatement

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

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 181,610	40,806
Changes in fund type classification per implementation of GASB Statement No. 54	40,806	(40,806)
Balances July 1, 2010, as restated	<u>\$ 222,416</u>	<u>0</u>

REQUIRED SUPPLEMENTARY INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,617,411	64,932	1,682,343	1,694,699	1,694,699	(12,356)
State sources	1,069,759	1,248	1,071,007	1,185,780	1,185,780	(114,773)
Federal sources	124,003	47,701	171,704	118,210	118,210	53,494
Total revenues	<u>2,811,173</u>	<u>113,881</u>	<u>2,925,054</u>	<u>2,998,689</u>	<u>2,998,689</u>	<u>(73,635)</u>
Expenditures/Expenses:						
Instruction	1,765,638	0	1,765,638	2,025,780	2,025,780	260,142
Support services	822,610	0	822,610	1,323,942	1,323,942	501,332
Non-instructional programs	1,100	109,998	111,098	121,700	121,700	10,602
Other expenditures	182,884	0	182,884	185,541	185,541	2,657
Total expenditures/expenses	<u>2,772,232</u>	<u>109,998</u>	<u>2,882,230</u>	<u>3,656,963</u>	<u>3,656,963</u>	<u>774,733</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	38,941	3,883	42,824	(658,274)	(658,274)	701,098
Other financing sources, net	<u>4,107</u>	<u>6,462</u>	<u>10,569</u>	<u>0</u>	<u>0</u>	<u>10,569</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	43,048	10,345	53,393	(658,274)	(658,274)	711,667
Balance beginning of year	<u>661,635</u>	<u>40,938</u>	<u>887,820</u>	<u>701,909</u>	<u>701,909</u>	<u>185,911</u>
Balance end of year	<u>\$ 704,683</u>	<u>51,283</u>	<u>941,213</u>	<u>43,635</u>	<u>43,635</u>	<u>897,578</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

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

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

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)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 175,000	\$ 175,000	0.00%	\$ 1,211,124	14.45%
2011	July 1, 2009	0	175,000	175,000	0.00%	987,440	17.72%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 140,707	100,144	240,851
Receivables:			
Property tax:			
Delinquent	679	0	679
Succeeding year	50,000	0	50,000
Total assets	\$ 191,386	100,144	291,530
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 50,000	0	50,000
Fund balances:			
Restricted for:			
Management levy purposes	141,386	0	141,386
Student activities	0	101,439	101,439
Unassigned	0	(1,295)	(1,295)
Total fund balances	141,386	100,144	241,530
Total liabilities and fund balances	\$ 191,386	100,144	291,530

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 49,880	0	49,880
Other	5,568	130,927	136,495
Total Revenues	55,448	130,927	186,375
Expenditures:			
Current:			
Instruction:			
Regular	18,752	0	18,752
Other	0	116,264	116,264
Support services:			
Student support	250	0	250
Instructional staff	250	0	250
Administration	9,533	0	9,533
Operation and maintenance of plant	8,224	0	8,224
Transportation	6,330	0	6,330
Non-instructional programs			
Food service operations	1,100	0	1,100
Total expenditures	44,439	116,264	160,703
Excess of revenues over expenditures	11,009	14,663	25,672
Fund balances beginning of year, as restated	130,377	85,481	215,858
Fund balances end of year	\$ 141,386	100,144	241,530

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statwide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 197,831	46,816	244,647
Receivables:			
Property tax:			
Delinquent	0	244	244
Succeeding year	0	19,276	19,276
Due from other governments	37,124	0	37,124
Total assets	\$ 234,955	66,336	301,291
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 55,803	1,475	57,278
Deferred revenue:			
Succeeding year property tax	0	19,276	19,276
Total liabilities	55,803	20,751	76,554
Fund balances:			
Restricted for:			
School infrastructure	179,152	0	179,152
Physical plant and equipment	0	45,585	45,585
Total fund balances	179,152	45,585	224,737
Total liabilities and fund balances	\$ 234,955	66,336	301,291

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statwide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 132,517	17,898	150,415
Other	611	1,041	1,652
Total Revenues	<u>133,128</u>	<u>18,939</u>	<u>152,067</u>
Expenditures:			
Current:			
Instruction:			
Regular	8,978	0	8,978
Support services:			
Instructional staff	19,909	2,225	22,134
Operation and maintenance of plant	20,684	0	20,684
Other expenditures:			
Facilities acquisitions	86,015	11,935	97,950
Total expenditures	<u>135,586</u>	<u>14,160</u>	<u>149,746</u>
Excess(Deficiency) of revenues over(under) expenditures	(2,458)	4,779	2,321
Fund balances beginning of year, as restated	<u>181,610</u>	<u>40,806</u>	<u>222,416</u>
Fund balances end of year	<u>\$ 179,152</u>	<u>45,585</u>	<u>224,737</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Interest on Investments	\$ 0	172	0	(172)	0
School Play	879	1,330	598	0	1,611
Speech	(1,123)	215	519	132	(1,295)
Musical Events	7,271	3,515	3,591	0	7,195
Elementary Music	3,165	1,742	1,218	0	3,689
Band Repair	33	270	251	0	52
Athletic Fundraisers	4,424	9,008	6,045	0	7,387
Cheerleaders	3,042	678	1,180	0	2,540
Drill Team	119	0	0	0	119
Athletics	29,483	46,534	40,305	8	35,720
Class of 2009	100	225	0	0	325
Class of 2011	1,860	2,854	4,544	(170)	0
Class of 2012	1,195	10,358	7,775	0	3,778
Class of 2013	1,190	2,034	891	(170)	2,163
Class of 2014	176	190	0	0	366
Class of 2016	0	45	0	0	45
Class of 2017	0	155	0	0	155
Class Gifts	2,322	0	0	0	2,322
Future Farmers	3,793	16,131	12,293	84	7,715
FCCLA	627	1,559	618	0	1,568
Math Club	253	0	0	0	253
National Honor Society	367	929	450	0	846
Pep Club	2,855	2,424	3,242	193	2,230
Spanish Club	2,700	12,016	14,567	0	149
Student Council	4,826	0	638	(22)	4,166
Yearbook	13,699	9,826	9,713	(8)	13,804
Student Projects	6	307	352	39	0
Commissary	1,463	6,246	5,229	86	2,566
Elementary Field Trip	30	0	0	0	30
Co-Curricular	602	2,164	2,245	0	521
FCCLA Fundraiser	120	0	0	0	120
FCS Student Project	4	0	0	0	4
Total	\$ 85,481	130,927	116,264	0	100,144

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 961,234	879,691	790,475	751,980	816,208	812,404	774,478	839,447
Tuition	434,974	456,250	412,210	380,232	372,449	416,239	363,162	288,017
Other	221,203	225,450	206,903	198,006	191,916	180,176	175,811	199,578
State sources	1,069,759	967,248	1,068,942	1,116,575	1,052,963	987,922	1,037,699	964,363
Federal sources	124,003	189,029	84,499	76,880	76,494	83,266	102,547	131,029
Total	\$ 2,811,173	2,717,668	2,563,029	2,523,673	2,510,030	2,480,007	2,453,697	2,422,434
Expenditures:								
Current:								
Instruction:								
Regular	\$ 1,087,372	1,193,260	1,145,466	1,056,816	1,012,520	978,668	914,534	892,927
Special	268,117	242,869	209,987	214,238	200,027	191,453	172,608	186,612
Other	410,149	405,000	403,357	367,851	383,075	365,349	372,540	349,119
Support services:								
Student	81,726	76,776	71,796	67,487	62,527	59,583	57,849	58,727
Instructional staff	36,489	10,259	18,769	18,386	17,688	9,940	6,294	9,633
Administration	381,712	371,848	356,386	344,131	353,439	352,493	336,369	291,741
Operation and maintenance of plant	219,536	196,258	192,832	190,929	182,726	184,976	164,924	173,358
Transportation	103,147	91,272	112,779	109,609	140,754	114,529	145,957	69,617
Central	0	0	0	0	0	0	0	9,162
Non-instructional programs	1,100	1,450	1,500	1,278	1,005	875	2,075	2,518
Other expenditures:								
Facilities acquisitions	97,950	122,838	105,565	98,372	33,880	21,018	6,844	49,206
Long-term debt:								
Principal	0	0	0	0	105,000	100,000	95,000	95,000
Interest and other charges	0	0	0	0	4,915	9,165	13,155	16,998
AEA flow-through	84,934	84,897	77,648	75,545	73,735	71,333	72,446	72,998
Total	\$ 2,772,232	2,796,727	2,696,085	2,544,642	2,571,291	2,459,382	2,360,595	2,277,616

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stanton Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 9, 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 Stanton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Stanton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Stanton Community School District's internal control over financial reporting.

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

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-C-11 and I-D-11 to be significant deficiencies.

Compliance and Other Matters

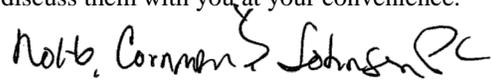
As part of obtaining reasonable assurance about whether Stanton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a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

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 9, 2012

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Internal Controls - One of the most important responsibilities of the District is to maintain a system of internal control for efficient operation. The District's Board of Directors is responsible for making policies and procedures that safeguard District assets, ensure District financial information is accurate and ensure employees are complying with laws and regulations pertinent to the District. The successful operation of the District's internal controls is dependent upon having sufficient and properly trained management and personnel to ensure that the policies and procedures formed by the Board of Directors are being followed. From our audit it appears the District's internal control structure has several breakdowns, some of which are apparent in the comments that follow in the remainder of this report.

Recommendation - The District's Board of Directors and management staff should review policies and procedures in place and evaluate the effectiveness of internal controls currently in place. The District should also evaluate areas of weakness and determine if there are potential processes which could be implemented to mitigate potential error or risk of fraud. For instance, requiring receipts to be issued for all collections and the numerical sequence accounted for in the reconciliation process. The use of electronic collections for Nutrition may reduce the amount of cash flowing through the office and therefore would reduce the opportunity for error. Changes in the internal control structure will have to be made for the District to gain full effectiveness of internal control. Additional training may be necessary to achieve this goal.

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

Conclusion - Response accepted.

I-B-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-C-11 Activity Admissions - It was noted during our audit that the District doesn't always utilize pre-numbered tickets for all events that require admission.

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

- a. Cash or change boxes should be established with a specific amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collections/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number multiplied by the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

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

Conclusion - Response accepted.

I-D-11 Concession Supplies - It was noted during our audit that the district reimburses for concessions supplies. Individuals are purchasing and then requesting reimbursements for the supplies. We noted some of these reimbursements being in excess of \$1,000. The district does not use credit cards except for Hy-Vee and Wal-Mart; however, Wal-Mart cards may also be used at Sam's Club.

Recommendation - The district should discuss possible alternatives. For example, limiting the purchasing of supplies to individuals who are able to financially afford to purchase items and wait for reimbursements.

Response - We are reviewing our procedures and implementing new practices. Concession items will be charged to school credit card when possible.

Conclusion - Response accepted.

STANTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.
- II-B-11 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Brian Bates, Board member	Vehicle service	\$ 12,404
Don Hicks, Athletic director	Painting/field work	1,989
Jacob Nimrod, Teacher	Painting	1,310
Larry Watson, Bus driver	Snow removal service	<u>1,045</u>
Total		<u>\$ 16,748</u>

The business transactions between the District and the athletic director, teacher, and bus driver do not appear to represent a conflict of interest in accordance with the Attorney General's opinion dated July 2, 1990.

The above transactions between the District and the board member for vehicle service appear to create a conflict of interest as the repairs were not bid and the amount paid to the board member exceeded the \$2,500 limit allowed by Chapter 279.7A of the Code of Iowa.

Recommendation - The District should contact its attorney regarding this matter to determine the legality of these transactions and if any corrective action is required.

Response - The District will consult its attorney and consider bidding repairs.

Conclusion - Response accepted.

- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding- No instances were noted of the District using categorical funding to supplant rather than supplement other funds.
- II-L-11 Statewide Sales, Service and Use Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales and services tax revenue provisions Chapter 423F.3 of the Code of Iowa.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	181,610
Revenues:			
Sales tax revenues	\$	132,517	
Other local revenues		611	133,128
		<u> </u>	<u>314,738</u>
Expenditures:			
School infrastructure construction		86,015	
Equipment		49,571	135,586
		<u> </u>	<u> </u>
Ending balance		\$	<u>179,152</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under 423E or 423F of the Code of Iowa.

- II-M-11 Financial Condition - At the year ended June 30, 2011, the Activity Fund had a deficit unassigned fund balance of \$1,295.

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

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

Conclusion - Response accepted.