

STANTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Stanton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 Election)</b>		
Jeff Magneson	President	2011
Mark Lindgren	Vice President	2013
Brian Bates	Board Member	2013
Paul Vanderholm	Board Member	2011
Jeff Sorenson	Board Member	2013
<b>(After September 2011 Election)</b>		
Jeff Magneson	President	2015
Mark Lindgren	Vice President	2013
Brian Bates	Board Member	2013
Paul Vanderholm	Board Member	2015
Jeff Sorenson	Board Member	2013
<b>School Officials</b>		
Judd Ashley	Superintendent	2012
Vicky King	District Secretary	2012
Shirley Maxwell	Business Manager	2012
Ahlers & Cooney	Attorney	2012
Swanson Law Firm	Attorney	2012

**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, 2012, 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, 2012, 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 January 9, 2013 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.

U.S. generally accepted accounting principles require 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 be presented to supplement the basic

financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in the appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express and opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions 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 eight years ended June 30, 2011 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 9, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2012. 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.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,476,838 in fiscal 2011 to \$2,627,533 in fiscal 2012, while General Fund expenditures increased from \$2,461,783 in fiscal 2011 to \$2,598,066 in fiscal 2012. This resulted in an increase in the General Fund balance from \$238,416 in fiscal 2011 to \$267,883 which was a 12.36% 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 increase in expenditures is attributable to early retirement of two teachers, and the combining of the 6<sup>th</sup> grade class with the Junior High Classes.

### **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.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

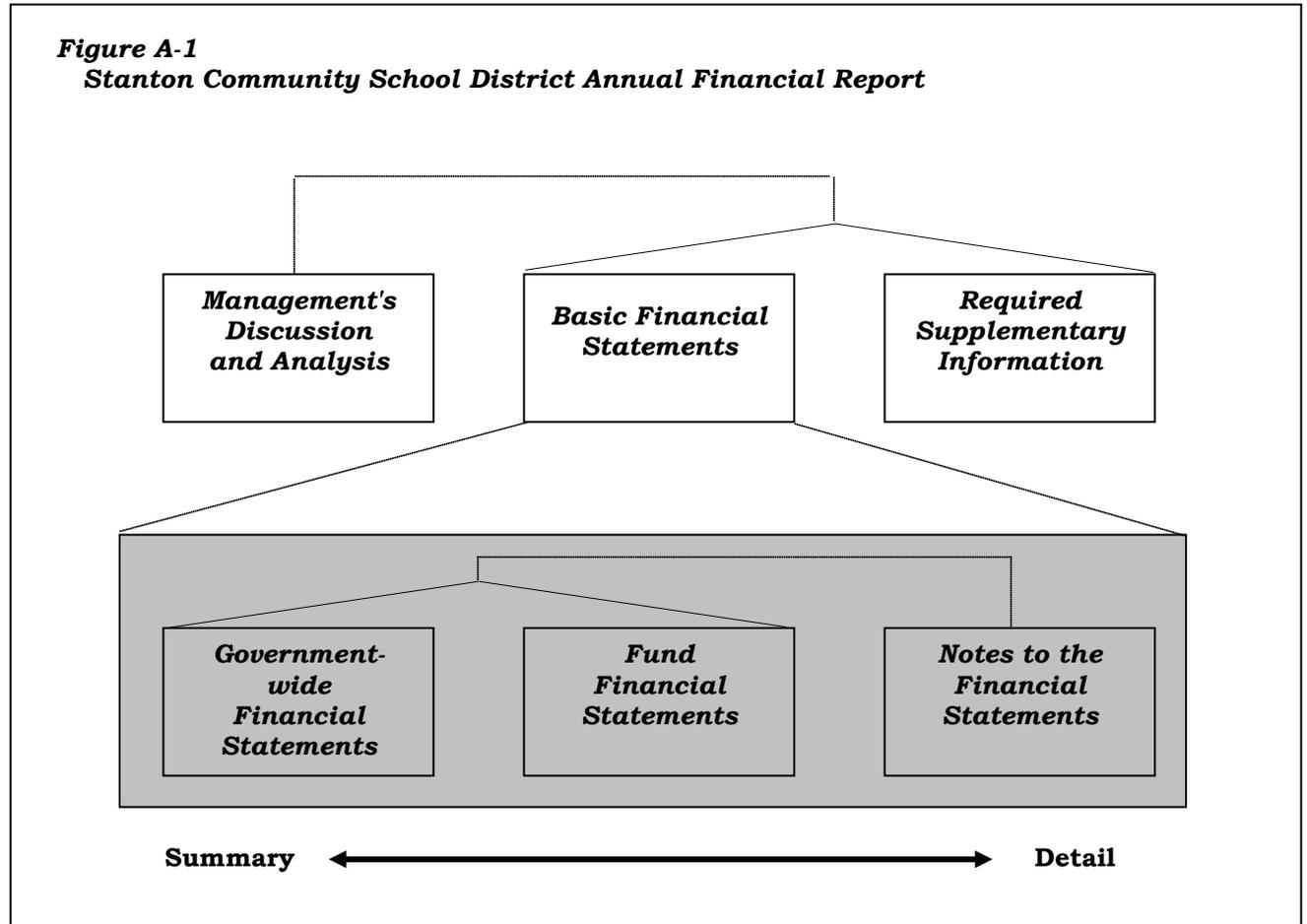


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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.

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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. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has 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, 2012 compared to June 30, 2011.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 2,159,888	2,021,159	35,632	36,376	2,195,520	2,057,535	6.71%
Capital assets	1,324,363	1,216,720	16,199	16,819	1,340,562	1,233,539	8.68%
Total assets	<u>3,484,251</u>	<u>3,237,879</u>	<u>51,831</u>	<u>53,195</u>	<u>3,536,082</u>	<u>3,291,074</u>	<u>7.44%</u>
Long-term liabilities	127,283	57,150	0	0	127,283	57,150	122.72%
Other liabilities	1,331,877	1,231,387	1,670	1,912	1,333,547	1,233,299	8.13%
Total liabilities	<u>1,459,160</u>	<u>1,288,537</u>	<u>1,670</u>	<u>1,912</u>	<u>1,460,830</u>	<u>1,290,449</u>	<u>13.20%</u>
Net assets:							
Invested in capital assets	1,324,363	1,216,720	16,199	16,819	1,340,562	1,233,539	8.68%
Restricted	495,764	547,275	0	0	495,764	547,275	-9.41%
Unrestricted	204,964	185,347	33,962	34,464	238,926	219,811	8.70%
Total net assets	<u>\$ 2,025,091</u>	<u>1,949,342</u>	<u>50,161</u>	<u>51,283</u>	<u>2,075,252</u>	<u>2,000,625</u>	<u>3.73%</u>

The District's combined net assets increased by 3.73% 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 decreased 9.41% from the prior year. The majority of the decrease in restricted net assets was due to decrease in the fund balances of the Student Activity Fund and Capital Projects Funds.

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 - increased 8.70% over the prior year. The majority of the increase in unrestricted net assets was due to an increase in the fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 574,240	571,690	61,308	64,914	635,548	636,604	-0.17%
Operating grants, contributions and restricted interest	335,730	224,931	41,034	48,949	376,764	273,880	37.57%
Capital grants, contributions and restricted interest	0	1,000	1,000	0	1,000	1,000	0.00%
General revenues:							
Property tax	872,473	749,764	0	0	872,473	749,764	16.37%
Income surtax	88,878	78,141	0	0	88,878	78,141	13.74%
Statewide sales, services and use tax	148,959	132,517	0	0	148,959	132,517	12.41%
Unrestricted state grants	879,643	919,364	0	0	879,643	919,364	-4.32%
Nonspecific program federal grants	602	60,956	0	0	602	60,956	-99.01%
Other	38,129	71,998	28	18	38,157	72,016	-47.02%
Transfers	0	(6,462)	0	6,462	0	0	0.00%
<b>Total revenues and transfers</b>	<b>2,938,654</b>	<b>2,803,899</b>	<b>103,370</b>	<b>120,343</b>	<b>3,042,024</b>	<b>2,924,242</b>	<b>4.03%</b>
Program expenses:							
Governmental activities:							
Instruction	1,857,425	1,766,080	0	0	1,857,425	1,766,080	5.17%
Support services	876,820	926,191	0	0	876,820	926,191	-5.33%
Non-instructional programs	1,704	1,100	104,492	109,998	106,196	111,098	-4.41%
Other expenses	126,956	134,235	0	0	126,956	134,235	-5.42%
<b>Total expenses</b>	<b>2,862,905</b>	<b>2,827,606</b>	<b>104,492</b>	<b>109,998</b>	<b>2,967,397</b>	<b>2,937,604</b>	<b>1.01%</b>
<b>Changes in net assets</b>	<b>75,749</b>	<b>(23,707)</b>	<b>(1,122)</b>	<b>10,345</b>	<b>74,627</b>	<b>(13,362)</b>	<b>-658.50%</b>
<b>Net assets beginning of year</b>	<b>1,949,342</b>	<b>1,973,049</b>	<b>51,283</b>	<b>40,938</b>	<b>2,000,625</b>	<b>2,013,987</b>	<b>-0.66%</b>
<b>Net assets end of year</b>	<b>\$ 2,025,091</b>	<b>1,949,342</b>	<b>50,161</b>	<b>51,283</b>	<b>2,075,252</b>	<b>2,000,625</b>	<b>3.73%</b>

In fiscal 2012, property tax, unrestricted state grants, and charges for services account for 79.16% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for 99.01% of the revenue from business type activities.

The District's total revenues were approximately \$3.04 million, of which approximately \$2.94 million was for governmental activities and approximately \$0.10 million was for business type activities.

### Governmental Activities

Total revenues for all of the Districts' governmental activities were \$2,938,654, an increase of 4.81% over the prior year. Total expenses for all of the Districts' governmental activities were \$2,862,905 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, 2012 compared to the year ended June 30, 2011.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 1,857,425	1,766,080	5.17%	1,029,930	1,057,279	-2.59%
Support services	876,820	926,191	-5.33%	868,299	922,305	-5.86%
Non-instructional programs	1,704	1,100	54.91%	1,704	1,100	54.91%
Other expenses	126,956	134,235	-5.42%	53,002	49,301	7.51%
Totals	\$ 2,862,905	2,827,606	1.25%	1,952,935	2,029,985	-3.80%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$574,240.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$335,730.
- The net cost portion of governmental activities was financed with \$872,473 in property tax, \$88,878 in income surtax, \$148,959 in statewide sales, services and use tax, \$879,643 in unrestricted state grants, \$602 in nonspecific program federal grants, \$2,329 in unrestricted investment earnings, and \$35,800 in other general revenues.

### **Business Type Activities**

The District's only business type activity is the School Nutrition Fund. Revenues of the District's business type activities totaled \$103,370 in 2012, which is a decrease of 14.10% from the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses decreased 5.01% to \$104,492 for business type activities in 2012.

### **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 \$740,294, an increase of \$35,611 from last year's ending fund balances of \$704,683. 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 \$238,416 in fiscal 2011 to \$267,883 in fiscal 2012. 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 balance decreased from \$224,737 in fiscal 2011 to \$214,993 in fiscal 2012. The decrease in fund balance was due to increased capital outlay expenditures as compared to the previous year.

## Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from \$51,283 in fiscal 2011 to \$50,161 in fiscal 2012, representing an decrease of approximately 2.19%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Stanton Community School District amended its budget one time to reflect additional expenditures associated with building renovations due to storm damage.

The District's revenues were \$10,744 more than budgeted revenues, a variance of 0.35%. The most significant variance resulted from the District receiving more in local 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 2012, the District had invested \$1,340,562, 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 \$96,176.

The original cost of the District's capital assets was \$2,850,392. Governmental funds account for \$2,796,401 with the remainder of \$53,991 in the Proprietary, School Nutrition Fund.

In comparing fiscal 2012 to fiscal 2011, the largest percentage change in capital assets activity occurred in the machinery and equipment category. The District's machinery and equipment totaled \$175,208 at June 30, 2012 compared to \$89,188 at June 30, 2011. The increase was mainly attributable to new vehicle purchases made during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 52,726	52,726	0	0	52,726	52,726	0.00%
Buildings	1,054,255	1,030,416	0	0	1,054,255	1,030,416	2.26%
Land improvements	58,373	61,209	0	0	58,373	61,209	-4.86%
Machinery and equipment	159,009	72,369	16,199	16,819	175,208	89,188	49.10%
Total	\$ 1,324,363	1,216,720	16,199	16,819	1,340,562	1,233,539	8.68%

### Long-Term Debt

At June 30, 2012, the District had \$127,283 in total long-term debt outstanding. This represents an increase of 122.72% 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,
	2012	2011	2011-12
Early retirement	\$ 45,847	0	100.00%
Net OPEB liability	81,436	57,150	42.50%
Totals	<u>\$ 127,283</u>	<u>57,150</u>	<u>122.72%</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, 2012, the IPERS increase to 8.67% will increase the Stanton Community Schools employer benefits costs during fiscal 2013. An additional increase to 8.93% is anticipated for FY14.
- The Stanton Community School District sustained major damage to their facilities due to a wind and hail storms in August 2011. As a result of all the damage a new roof was put on the whole school. The gym floor also was damaged during the storm resulting in a new gym floor. Most of the funds for these projects came from insurance funds.

## **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 Shirley Maxwell, Business Manager, 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, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 904,705	31,106	935,811
Receivables:			
Property tax:			
Delinquent	10,238	0	10,238
Succeeding year	998,726	0	998,726
Income surtax	87,717	0	87,717
Accounts	28,571	46	28,617
Due from other governments	129,931	0	129,931
Inventories	0	4,480	4,480
Capital assets, net of accumulated depreciation	1,324,363	16,199	1,340,562
<b>Total assets</b>	<b>3,484,251</b>	<b>51,831</b>	<b>3,536,082</b>
<b>Liabilities</b>			
Accounts payable	87,460	0	87,460
Salaries and benefits payable	245,691	0	245,691
Deferred revenue:			
Succeeding year property tax	998,726	0	998,726
Unearned revenue	0	1,670	1,670
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	45,847	0	45,847
Portion due after one year:			
Net OPEB liability	81,436	0	81,436
<b>Total liabilities</b>	<b>1,459,160</b>	<b>1,670</b>	<b>1,460,830</b>
<b>Net assets</b>			
Invested in capital assets	1,324,363	16,199	1,340,562
Restricted for:			
Categorical funding	68,156	0	68,156
Management levy purposes	115,989	0	115,989
Student activities	96,626	0	96,626
School infrastructure	142,685	0	142,685
Physical plant and equipment	72,308	0	72,308
Unrestricted	204,964	33,962	238,926
<b>Total net assets</b>	<b>\$ 2,025,091</b>	<b>50,161</b>	<b>2,075,252</b>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 1,207,755	370,667	169,704	0	(667,384)	0	(667,384)
Special	283,921	73,616	22,921	0	(187,384)	0	(187,384)
Other	365,749	129,957	60,630	0	(175,162)	0	(175,162)
	<u>1,857,425</u>	<u>574,240</u>	<u>253,255</u>	<u>0</u>	<u>(1,029,930)</u>	<u>0</u>	<u>(1,029,930)</u>
Support services:							
Student	85,059	0	5,770	0	(79,289)	0	(79,289)
Instructional staff	14,249	0	279	0	(13,970)	0	(13,970)
Administration	431,152	0	0	0	(431,152)	0	(431,152)
Operation and maintenance of plant	240,274	0	0	0	(240,274)	0	(240,274)
Transportation	106,086	0	2,472	0	(103,614)	0	(103,614)
	<u>876,820</u>	<u>0</u>	<u>8,521</u>	<u>0</u>	<u>(868,299)</u>	<u>0</u>	<u>(868,299)</u>
Non-instructional programs:							
Food service operations	1,704	0	0		(1,704)	0	(1,704)
Other expenditures:							
AEA flowthrough	73,954	0	73,954	0	0	0	0
Depreciation(unallocated)*	53,002	0	0	0	(53,002)	0	(53,002)
	<u>126,956</u>	<u>0</u>	<u>73,954</u>	<u>0</u>	<u>(53,002)</u>	<u>0</u>	<u>(53,002)</u>
Total governmental activities	<u>2,862,905</u>	<u>574,240</u>	<u>335,730</u>	<u>0</u>	<u>(1,952,935)</u>	<u>0</u>	<u>(1,952,935)</u>
Business Type activities:							
Non-instructional programs:							
Nutrition services	104,492	61,308	41,034	1,000	0	(1,150)	(1,150)
Total business type activities	<u>104,492</u>	<u>61,308</u>	<u>41,034</u>	<u>1,000</u>	<u>0</u>	<u>(1,150)</u>	<u>(1,150)</u>
Total	<u>\$ 2,967,397</u>	<u>635,548</u>	<u>376,764</u>	<u>1,000</u>	<u>(1,952,935)</u>	<u>(1,150)</u>	<u>(1,954,085)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 853,256	0	853,256
Capital outlay					19,217	0	19,217
Income surtax					88,878	0	88,878
Statewide sales, services and use tax					148,959	0	148,959
Unrestricted state grants					879,643	0	879,643
Nonspecific program federal grants					602	0	602
Unrestricted investment earnings					2,329	28	2,357
Other					35,800	0	35,800
Total general revenues					<u>2,028,684</u>	<u>28</u>	<u>2,028,712</u>
Changes in net assets					75,749	(1,122)	74,627
Net assets beginning of year					<u>1,949,342</u>	<u>51,283</u>	<u>2,000,625</u>
Net assets end of year					<u>\$ 2,025,091</u>	<u>50,161</u>	<u>2,075,252</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, 2012

	General	Management	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments:	\$ 490,452	167,022	152,750	94,481	904,705
Receivables:					
Property tax:					
Delinquent	9,428	585	225	0	10,238
Succeeding year	924,101	54,000	20,625	0	998,726
Income surtax	87,717	0	0	0	87,717
Accounts	1,380	0	26,090	1,101	28,571
Due from other governments	92,587	0	37,344	0	129,931
<b>Total assets</b>	<b>\$ 1,605,665</b>	<b>221,607</b>	<b>237,034</b>	<b>95,582</b>	<b>2,159,888</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 80,273	5,771	1,416	0	87,460
Salaries and benefits payable	245,691	0	0	0	245,691
Deferred revenue:					
Succeeding year property tax	924,101	54,000	20,625	0	998,726
Income surtax	87,717	0	0	0	87,717
Total liabilities	1,337,782	59,771	22,041	0	1,419,594
Fund balances:					
Restricted for:					
Categorical funding	68,156	0	0	0	68,156
Management levy purposes	0	161,836	0	0	161,836
Student activities	0	0	0	96,626	96,626
School infrastructure	0	0	142,685	0	142,685
Physical plant and equipment	0	0	72,308	0	72,308
Unassigned:					
General	199,727	0	0	0	199,727
Student activities	0	0	0	(1,044)	(1,044)
Total fund balances	267,883	161,836	214,993	95,582	740,294
<b>Total liabilities and fund balances</b>	<b>\$ 1,605,665</b>	<b>221,607</b>	<b>237,034</b>	<b>95,582</b>	<b>2,159,888</b>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

<b>Total fund balances of governmental funds(page 20)</b>	\$	740,294
 <b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,324,363
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		87,717
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>(127,283)</u>
<b>Net assets of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>2,025,091</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 889,658	49,848	168,176	0	1,107,682
Tuition	436,720	0	0	0	436,720
Other	81,275	3,863	227	107,349	192,714
State sources	1,139,723	0	0	0	1,139,723
Federal sources	59,187	0	0	0	59,187
Total revenues	2,606,563	53,711	168,403	107,349	2,936,026
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	1,138,180	8,726	43,576	0	1,190,482
Special	281,609	0	0	0	281,609
Other	318,578	0	0	111,615	430,193
	1,738,367	8,726	43,576	111,615	1,902,284
Support services:					
Student	83,388	541	0	0	83,929
Instructional staff	13,958	291	0	0	14,249
Administration	392,150	8,957	0	0	401,107
Operation and maintenance of plant	200,276	7,038	1,990	296	209,600
Transportation	95,973	6,004	97,613	0	199,590
	785,745	22,831	99,603	296	908,475
Non-instructional programs:					
Food service operations	0	1,704	0	0	1,704
Capital outlays	0	0	242,774	0	242,774
Other expenditures:					
AEA flowthrough	73,954	0	0	0	73,954
Total expenditures	2,598,066	33,261	385,953	111,911	3,129,191
Excess(Deficiency) of revenues over(under) expenditures	8,497	20,450	(217,550)	(4,562)	(193,165)
Other financing sources:					
Insurance proceeds	20,970	0	207,806	0	228,776
Net change in fund balances	29,467	20,450	(9,744)	(4,562)	35,611
Fund balance beginning of year	238,416	141,386	224,737	100,144	704,683
Fund balance end of year	\$ 267,883	161,836	214,993	95,582	740,294

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, 2012

Net change in fund balances - total governmental funds(page 22) \$ 35,611

*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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 200,806	
Depreciation expense	(93,163)	107,643

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 2,628

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	(45,847)	
Other postemployment benefits	(24,286)	(70,133)

Changes in net assets of governmental activities(page 19) \$ 75,749

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2012

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 31,106
Accounts receivable	46
Inventories	4,480
Capital assets, net of accumulated depreciation	16,199
<b>Total assets</b>	<u>51,831</u>
<b>Liabilities</b>	
Unearned revenue	1,670
<b>Total liabilities</b>	<u>1,670</u>
<b>Net Assets</b>	
Invested in capital assets	16,199
Unrestricted	33,962
<b>Total net assets</b>	<u>\$ 50,161</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, 2012

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 61,308
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	140
Non-instructional programs:	
Food service operations:	
Salaries	38,084
Benefits	5,905
Services	686
Supplies	56,664
Depreciation	3,013
	104,352
Total operating expenses	104,492
Operating loss	(43,184)
Non-operating revenues:	
State sources	1,198
Federal sources	39,836
Interest on investments	28
Total non-operating revenues	41,062
Net income before capital contributions	(2,122)
Capital contributions	1,000
Change in net assets	(1,122)
Net assets beginning of year	51,283
Net assets end of year	\$ 50,161

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

Exhibit I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 61,413
Cash payments to employees for services	(43,989)
Cash payments to suppliers for goods or services	(49,188)
Net cash used in operating activities	(31,764)
Cash flows from non-capital financing activities:	
State grants received	1,198
Federal grants received	31,969
Net cash provided by non-capital financing activities	33,167
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,393)
Cash flows from investing activities:	
Interest on investments	28
Net increase in cash and cash equivalents	38
Cash and cash equivalents at beginning of year	31,068
Cash and cash equivalents at end of year	\$ 31,106
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (43,184)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	7,867
Depreciation	3,013
Decrease in inventories	620
Decrease in accounts receivable	162
Decrease in accounts payable	(185)
Decrease in unearned revenue	(57)
Net cash used in operating activities	\$ (31,764)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received Federal commodities valued at \$7,867.

During the year ended June 30, 2012, the Nutrition Fund received capital contributions of \$1,000 from the General Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2012

	Private Purpose Trust	Scholarship
<b>Assets</b>		
Cash and pooled investments	\$ 50,442	
<b>Liabilities</b>		0
<b>Net Assets</b>		\$ 50,442

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 750
Interest income	365
Total additions	1,115
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,970
Change in net assets	(855)
Net assets beginning of year	51,297
Net assets end of year	\$ 50,442

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, early retirement benefits, and insurance agreements relating to such liabilities.

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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	1,500

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, 2012 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, 2012.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 52,726	0	0	52,726
Total capital assets not being depreciated	52,726	0	0	52,726
Capital assets being depreciated:				
Buildings	1,877,984	71,995	0	1,949,979
Land improvements	97,050	2,010	0	99,060
Machinery and equipment	572,934	126,801	5,099	694,636
Total capital assets being depreciated	2,547,968	200,806	5,099	2,743,675
Less accumulated depreciation for:				
Buildings	847,568	48,156	0	895,724
Land improvements	35,841	4,846	0	40,687
Machinery and equipment	500,565	40,161	5,099	535,627
Total accumulated depreciation	1,383,974	93,163	5,099	1,472,038
Total capital assets being depreciated, net	1,163,994	107,643	0	1,271,637
Governmental activities capital assets, net	\$ 1,216,720	107,643	0	1,324,363
<b>Business type activities:</b>				
Machinery and equipment	\$ 52,689	2,393	1,091	53,991
Less accumulated depreciation	35,870	3,013	1,091	37,792
Business type activities capital assets, net	\$ 16,819	(620)	0	16,199

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 10,441
Other		2,115
Support services:		
Administration		2,526
Transportation		25,079
		<u>40,161</u>
Unallocated depreciation		<u>53,002</u>
		<u>\$ 93,163</u>
Business type activities:		
Food service operations		<u>\$ 3,013</u>

**(4) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 0	45,847	0	45,847	45,847
Net OPEB liability	57,150	24,286	0	81,436	0
	<u>\$ 57,150</u>	<u>70,133</u>	<u>0</u>	<u>127,283</u>	<u>45,847</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 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$120,714, \$101,168 and \$99,379 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, 2012, 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	2,572
Adjustment to annual required contribution	(2,286)
Annual OPEB cost	<u>38,286</u>
Contributions made	(14,000)
Increase in net OPEB obligation	<u>24,286</u>
Net OPEB obligation beginning of year	<u>57,150</u>
Net OPEB obligation end of year	<u><u>\$ 81,436</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, 2012.

For the year ended June 30, 2012, the District contributed \$14,000 to the medical plan. Plan members eligible for benefits contributed \$31,000, or 70.45% 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, 2012 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
2012	38,286	36.57%	81,436

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$175,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$175,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,075,506, and the ratio of the UAAL to covered payroll was 16.27%. As of June 30, 2012 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 \$828 for single under the PPO 100 plan or \$760 for family under the PPO 250 plan for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(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 and dental.

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, 2012 were \$344,413.

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 \$73,954 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Categorical Funding**

The District' restricted fund balance for categorical funding at June 30, 2012 is comprised of the following projects:

Project	Amount
Gifted and talented	\$ 51,975
Educator quality, basic salary	10,549
Educator quality, core curriculum	539
Educator quality, professional development	2,713
Preschool Grant	2,380
Total reserved for categorical funding	\$ 68,156

**(10) Deficit Fund Balance/Net Assets**

At the year ended June 30, 2012, the Student Activity Fund had one deficit account of \$1,044.

STANTON COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,737,116	61,336	1,798,452	1,784,663	1,784,663	13,789
State sources	1,139,723	1,198	1,140,921	1,144,089	1,144,089	(3,168)
Federal sources	59,187	39,836	99,023	98,900	98,900	123
Total revenues	<u>2,936,026</u>	<u>102,370</u>	<u>3,038,396</u>	<u>3,027,652</u>	<u>3,027,652</u>	<u>10,744</u>
Expenditures/Expenses:						
Instruction	1,902,284	0	1,902,284	2,225,000	2,225,000	322,716
Support services	908,475	140	908,615	967,997	967,997	59,382
Non-instructional programs	1,704	104,352	106,056	130,000	130,000	23,944
Other expenditures	316,728	0	316,728	124,566	415,000	98,272
Total expenditures/expenses	<u>3,129,191</u>	<u>104,492</u>	<u>3,233,683</u>	<u>3,447,563</u>	<u>3,737,997</u>	<u>504,314</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(193,165)	(2,122)	(195,287)	(419,911)	(710,345)	515,058
Other financing sources, net	<u>228,776</u>	<u>1,000</u>	<u>229,776</u>	<u>0</u>	<u>0</u>	<u>229,776</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	35,611	(1,122)	34,489	(419,911)	(710,345)	744,834
Balance beginning of year	<u>704,683</u>	<u>51,283</u>	<u>755,966</u>	<u>473,351</u>	<u>473,351</u>	<u>282,615</u>
Balance end of year	<u>\$ 740,294</u>	<u>50,161</u>	<u>790,455</u>	<u>53,440</u>	<u>(236,994)</u>	<u>1,027,449</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

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. During the year, the District adopted one budget amendment, increasing budgeted expenditures \$290,434.

STANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll ( c )	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
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%
2012	July 1, 2009	0	175,000	175,000	0.00%	1,075,506	16.27%

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.

SUPPLEMENTARY INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND  
JUNE 30, 2012

	Special Revenue
	Student Activity
<b>Assets</b>	
Cash and pooled investments	\$ 94,481
Accounts receivable	1,101
<b>Total assets</b>	\$ 95,582
<b>Liabilities and Fund Balances</b>	
Liabilities	0
Fund balances:	
Restricted for:	
Student activities	96,626
Unassigned	(1,044)
Total fund balances	95,582
<b>Total liabilities and fund balances</b>	\$ 95,582

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUND  
 YEAR ENDED JUNE 30, 2012

	Special Revenue
	Student
	Activity
Revenues:	
Local sources:	
Other	\$ 107,349
Expenditures:	
Current:	
Instruction:	
Other	111,615
Support services:	
Operation and maintenance of plant	296
Total expenditures	111,911
Change in net assets	(4,562)
Fund balances beginning of year	100,144
Fund balances end of year	\$ 95,582

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statwide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 105,341	47,409	152,750
Receivables:			
Property tax:			
Delinquent	0	225	225
Succeeding year	0	20,625	20,625
Accounts	0	26,090	26,090
Due from other governments	37,344	0	37,344
<b>Total assets</b>	<b>\$ 142,685</b>	<b>94,349</b>	<b>237,034</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 0	1,416	1,416
Deferred revenue:			
Succeeding year property tax	0	20,625	20,625
Total liabilities	0	22,041	22,041
Fund balances:			
Restricted for:			
School infrastructure	142,685	0	142,685
Physical plant and equipment	0	72,308	72,308
Total fund balances	142,685	72,308	214,993
<b>Total liabilities and fund balances</b>	<b>\$ 142,685</b>	<b>94,349</b>	<b>237,034</b>

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, 2012

	Capital Projects		
	Statwide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 148,959	19,217	168,176
Other	217	10	227
Total revenues	149,176	19,227	168,403
Expenditures:			
Current:			
Instruction:			
Regular	43,576	0	43,576
Support services:			
Operation and maintenance of plant	1,990	0	1,990
Student transportation	35,188	62,425	97,613
	80,754	62,425	143,179
Capital outlays	104,889	137,885	242,774
Total expenditures	185,643	200,310	385,953
Excess(Deficiency) of revenues over(under) expenditures	(36,467)	(181,083)	(217,550)
Other financing uses:			
Insurance proceeds	0	207,806	207,806
Change in net assets	(36,467)	26,723	(9,744)
Fund balances beginning of year	179,152	45,585	224,737
Fund balances end of year	\$ 142,685	72,308	214,993

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Interest on Investments	\$ 0	158	158	0	0
School Play	1,611	1,398	1,418	0	1,591
Speech	(1,295)	1,000	749	0	(1,044)
Musical Events	7,195	3,926	4,207	0	6,914
Elementary Music	3,689	1,796	1,513	0	3,972
Band Repair	52	317	296	0	73
Athletic Fundraisers	7,387	5,112	1,955	0	10,544
Cheerleaders	2,540	479	1,793	0	1,226
Drill Team	119	0	0	0	119
Athletics	35,720	38,937	39,430	0	35,227
Class of 2012	3,778	2,889	6,553	(114)	0
Class of 2013	2,163	10,450	6,855	(115)	5,643
Class of 2014	366	585	0	0	951
Class of 2015	325	210	0	0	535
Class of 2016	45	355	0	0	400
Class of 2017	155	120	0	0	275
Class of 2018	0	65	0	0	65
Class of 2019	0	462	0	0	462
Class Gifts	2,322	0	954	0	1,368
Future Farmers	7,715	12,447	19,649	2,693	3,206
FCCLA	1,568	2,572	2,413	0	1,727
Math Club	253	0	0	0	253
National Honor Society	846	778	285	0	1,339
Pep Club	2,230	2,242	2,999	405	1,878
Spanish Club	149	0	0	0	149
Student Council	4,166	361	435	(2,488)	1,604
Yearbook	13,804	9,710	10,338	0	13,176
Student Projects	0	244	234	0	10
Commissary	2,566	7,037	5,958	(381)	3,264
Elementary Field Trip	30	47	47	0	30
Co-Curricular	521	3,652	3,672	0	501
FCCLA Fundraiser	120	0	0	0	120
FCS Student Project	4	0	0	0	4
<b>Total</b>	<b>\$ 100,144</b>	<b>107,349</b>	<b>111,911</b>	<b>0</b>	<b>95,582</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund				
	Irene Larmon Scholarship	PJ Larmon Scholarship	Steve Watson Scholarship	Girls Atheltic Union Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 11,216	25,150	13,826	250	50,442
LIABILITIES					
	0	0	0	0	0
NET ASSETS					
Restricted for scholarships	\$ 11,216	25,150	13,826	250	50,442

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund				Total
	Irene Larmon Scholarship	PJ Larmon Scholarship	Steve Watson Scholarship	Girls Athletic Union Scholarship	
Additions:					
Local sources:					
Gifts and contributions	0	0	500	250	750
Interest income	\$ 85	276	4	0	365
Total additions	85	276	504	250	1,115
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	0	970	1,000	0	1,970
Change in net assets	85	(694)	(496)	250	(855)
Net assets beginning of year	11,131	25,844	14,322	0	51,297
Net assets end of year	\$ 11,216	25,150	13,826	250	50,442

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 1,107,862	961,234	879,691	790,475	751,980	816,208	812,404	774,478	839,447
Tuition	436,720	434,974	456,250	412,210	380,232	372,449	416,239	363,162	288,017
Other	192,714	221,203	225,450	206,903	198,006	191,916	180,176	175,811	199,578
State sources	1,139,723	1,069,759	967,248	1,068,942	1,116,575	1,052,963	987,922	1,037,699	964,363
Federal sources	59,187	124,003	189,029	84,499	76,880	76,494	83,266	102,547	131,029
Total	<u>\$ 2,936,206</u>	<u>2,811,173</u>	<u>2,717,668</u>	<u>2,563,029</u>	<u>2,523,673</u>	<u>2,510,030</u>	<u>2,480,007</u>	<u>2,453,697</u>	<u>2,422,434</u>
Expenditures:									
Current:									
Instruction:									
Regular	\$ 1,190,482	1,087,372	1,193,260	1,145,466	1,056,816	1,012,520	978,668	914,534	892,927
Special	281,609	268,117	242,869	209,987	214,238	200,027	191,453	172,608	186,612
Other	430,193	410,149	405,000	403,357	367,851	383,075	365,349	372,540	349,119
Support services:									
Student	83,929	81,726	76,776	71,796	67,487	62,527	59,583	57,849	58,727
Instructional staff	14,249	36,489	10,259	18,769	18,386	17,688	9,940	6,294	9,633
Administration	401,107	381,712	371,848	356,386	344,131	353,439	352,493	336,369	291,741
Operation and maintenance of plant	209,600	219,536	196,258	192,832	190,929	182,726	184,976	164,924	173,358
Transportation	199,590	103,147	91,272	112,779	109,609	140,754	114,529	145,957	69,617
Central	0	0	0	0	0	0	0	0	9,162
Non-instructional programs	1,704	1,100	1,450	1,500	1,278	1,005	875	2,075	2,518
Capital outlay	242,774	97,950	122,838	105,565	98,372	33,880	21,018	6,844	49,206
Long-term debt:									
Principal	0	0	0	0	0	105,000	100,000	95,000	95,000
Interest and other charges	0	0	0	0	0	4,915	9,165	13,155	16,998
Other expenditures:									
AEA flow-through	73,954	84,934	84,897	77,648	75,545	73,735	71,333	72,446	72,998
Total	<u>\$ 3,129,191</u>	<u>2,772,232</u>	<u>2,796,727</u>	<u>2,696,085</u>	<u>2,544,642</u>	<u>2,571,291</u>	<u>2,459,382</u>	<u>2,360,595</u>	<u>2,277,616</u>

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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 9, 2013. 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

The management of Stanton Community School District is responsible for establishing and maintaining effective 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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 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-B-12 and I-C-12 to be significant deficiencies.

**Members American Institute & Iowa Society of Certified Public Accountants**

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, 2012 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.

January 9, 2013

STANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 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 - The District will continue to monitor procedures to obtain the maximum internal control as possible with the amount of personnel that are available.

Conclusion - Response accepted.

I-B-12 Scholarship Awards - We noted during our audit that scholarship checks from the Private Purpose Trust were written directly to the student.

Recommendation - Checks written for scholarships should be written to the student and the college the student is attending once the student has provided proof of attendance. If the District wants to write the check directly to the student the District should issue a W-2 to the student to be in compliance with IRS requirements.

Response - The District will issue scholarship checks made out jointly to the student and college after the student has provided proof of attendance and any other requirements stated in the scholarship.

Conclusion - Response accepted.

I-C-12 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

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

Response - The District will have all coaches who are not certified staff keep a timesheet for hours worked while coaching.

Conclusion - Response accepted.

STANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Certified Budget - District disbursements for the year ended June 30, 2012, did not exceed the amount budgeted.
- II-B-12 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined by Attorney General's opinion dated April 25, 1979 were noted.
- II-C-12 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-12 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 Owner Bates Garage	Vehicle service	\$ 11,623
Don Hicks, Athletic director Owner Hicks Painting	Painting/Mowing	965
Jacob Nimrod, Teacher	Mowing, Painting & Maintenance	1,675
Larry Watson, Bus driver	Snow removal service	580

The 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 transactions between the District and the board member appear to create a conflict of interest according to Chapter 279.7A of the Code of Iowa.

Recommendation - Chapter 279.7A of the Code of Iowa states that a board member cannot have a direct or indirect interest in the contract of goods of the school district where the board member would derive a benefit of over \$2,500. The District did not receive competitive quotes from the area businesses for the services provided by Bates Garage.

In the future, the board of directors should require competitive bids from area businesses. The competitive bids should be presented and acted upon by the District's entire board of directors. Board members that have an affiliation with businesses should recuse themselves from voting on the approval of the bid. The approval of the bid with any recusals of board members should be noted in the district board minutes to avoid the appearance of a conflict of interest.

Response - For fiscal year 2013, the District competitively bid for the services offered by Bates Garage. Board approval and acceptance of bids is noted in the District's board minutes along with Mr. Bates' recusal when the bids came to vote.

Conclusion - Response accepted.

- II-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-12 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 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-12 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-12 Categorical Funding- No instances were noted of the District using categorical funding to supplant rather than supplement other funds.
- II-L-12 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 179,152
Revenues:		
Sales tax revenues	\$ 148,959	
Other local revenues	217	149,176
		328,328
Expenditures:		
School infrastructure construction	102,879	
Equipment	80,754	
Other	2,010	185,643
		185,643
Ending balance		\$ 142,685

For the year ended June 30, 2012, 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-12 Financial Condition - Student Activity Fund had one deficit account totaling \$1,044 at June 30, 2012.

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

Response - Steps have been taken and the account now has a positive balance.

Conclusion - Response accepted.

II-N-12 Electronic Check Retention - Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. During our audit, we noted there were no electronic images or copies of the actual checks written from Great Western Bank account available for audit.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork for the District to be in compliance with 291.6 of the Code of Iowa. The District could choose to retain electronic images of the front and back of each cancelled check to be in compliance with Chapter 554D.114 of the Code of Iowa.

Response - We have contacted the bank are now receiving images of both the front and backs of all checks.

Conclusion - Response accepted.

II-O-12 Checks Outstanding - We noted during our audit that the District had checks included in the Nutrition fund bank reconciliation which have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided, or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1<sup>st</sup> as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will determine if the checks can be reissued, voided or they will be submitted to the State as unclaimed property.

Conclusion - Response accepted.