

A-H-S-T COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the A-H-S-T Community School District in Avoca, Iowa.

The District has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Also included is Management's Discussion and Analysis of the District's financial statements.

The District's revenues for the governmental funds totaled \$5,618,334 for the year ended June 30, 2004 and included \$2,461,106 in local tax, \$2,708,583 from the state, \$133,895 from the federal government and \$5,332 in interest on investments.

Governmental fund expenditures for the year totaled \$5,437,876 and included \$3,577,970 for instruction, \$1,453,829 for support services and \$406,077 for other expenditures.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.

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A-H-S-T Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
John Pattee	President	2005
Sandra Dea	Vice President	2004
Greg Becker	Board Member	2003
Dean Krohn	Board Member	2003
Darlene McMartin	Board Member	2005
Laurie Fell	Board Member (resigned)	2004
Monte Riesgaard	Board Member (elected)	2004
Mark Schroder	Board Member	2005
Board of Education (After September 2003 Election)		
John Pattee	President	2005
Sandra Dea	Vice President	2004
Darlene McMartin	Board Member	2005
Laurie Fell	Board Member	2006
Monte Riesgaard	Board Member	2004
Mark Schroder	Board Member	2005
Robert Luna	Board Member (resigned)	2006
Greg Becker	Board Member (appointed)	2004
School Officials		
Dan Frazier	Superintendent	2004
Nancy Collins	District Secretary/Treasurer and Business Manager	2004
Drew Bracken	Attorney	2004

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
A-H-S-T Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the A-H-S-T Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 that 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, business-type activities, each major fund, and the aggregate remaining fund information of the A-H-S-T Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, A-H-S-T Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments; Statement No. 37, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule- Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2004 on our consideration of the A-H-S-T Community School District's internal control over financial reporting and our tests of its compliance with certain

provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise A-H-S-T 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 three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

September 28, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

A-H-S-T Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,087,787 in fiscal 2003 to \$4,965,246 in fiscal 2004, while General Fund expenditures increased from \$4,679,606 in fiscal 2003 to \$4,978,797 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$808,755 in fiscal 2003 to a balance of \$796,204 in fiscal 2004, a 2% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in property tax revenue in fiscal 2004. The increase in expenditures was due primarily to a increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was more than the District's General Fund revenue for fiscal 2004.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$8,689 in fiscal year 2003 to \$5,076 in fiscal year 2004.

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 A-H-S-T 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 A-H-S-T 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 A-H-S-T Community School District acts solely as an agent or custodial for the benefit of those outside of County government.

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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

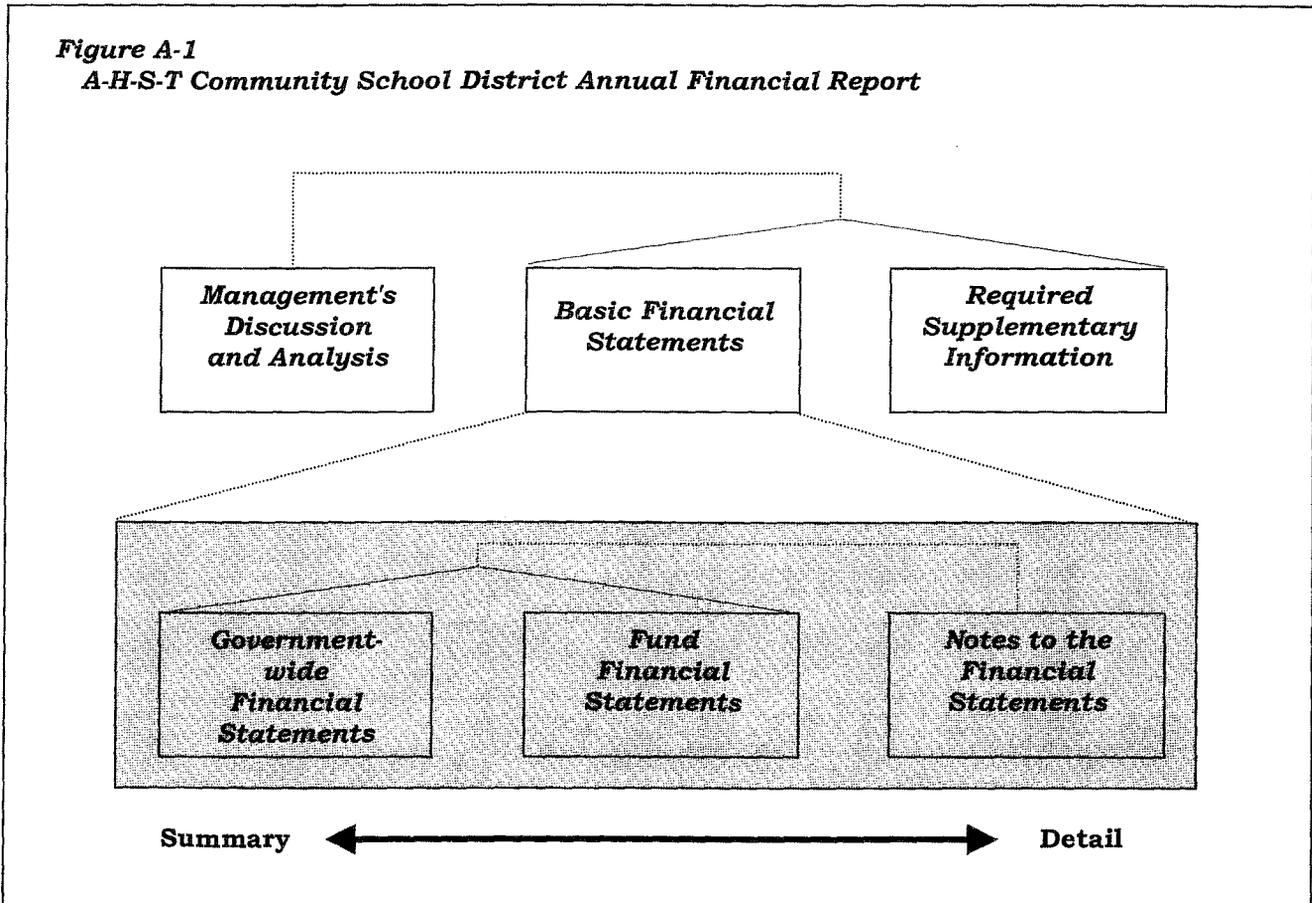


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has 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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

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

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

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

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

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

The District is responsible for ensuring 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.

Reconciliation's 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, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 4,564,992	21,847	4,586,839
Capital assets	1,114,170	16,395	1,130,565
Total assets	<u>5,679,162</u>	<u>38,242</u>	<u>5,717,404</u>
Long-term obligations	44,919	0	44,919
Other liabilities	3,025,918	2,981	3,028,899
Total liabilities	<u>3,070,837</u>	<u>2,981</u>	<u>3,073,818</u>
Net assets:			
Invested in capital assets, net of related debt	1,540,063	16,395	1,556,458
Restricted	106,118	0	106,118
Unrestricted	962,144	18,866	981,010
Total net assets	<u>\$ 2,608,325</u>	<u>35,261</u>	<u>2,643,586</u>

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 308,418	110,112	418,530
Operating grants and contributions and restricted interest	629,561	104,786	734,347
General revenues:			
Local tax	2,455,891	0	2,455,891
Unrestricted state grants	2,212,917	0	2,212,917
Other	5,332	43	5,375
Total revenues	5,612,119	214,941	5,827,060
Program expenses:			
Governmental activities:			
Instructional	3,552,644	0	3,552,644
Support services	1,446,700	0	1,446,700
Non-instructional programs	0	226,509	226,509
Other expenses	394,838	0	394,838
Total expenses	5,394,182	226,509	5,620,691
Changes in net assets	\$ 217,937	(11,568)	206,369

Property tax and unrestricted state grants account for 83% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 93% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,612,119 and expenses were \$5,394,182. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,552,644	2,801,389
Support services	1,446,700	1,446,700
Other expenses	394,838	208,114
Totals	\$ 5,394,182	4,456,203

- The cost financed by users of the District's programs was \$308,418.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$629,561.
- The net cost of governmental activities was financed with \$2,455,891 in local tax, \$2,212,917 in unrestricted state grants, and \$5,332 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$214,941 and expenses were \$226,509. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,365,704, above last year's ending fund balances of a \$1,185,246. However, the primary reason for the increase was the controlled spending in the General Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Reduction in tax levy during the year in tax and grants resulted in a decrease in revenues. Along with the decrease in revenues was an increase in General Fund expenditures ensuring the financial position of the District decrease.
- The Management, and Activity Fund combined balance increased from \$49,466 in 2003, to \$81,448 in 2004, due to the increase in revenues in both funds.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$54,566 to \$62,159. Even though revenues decreased and expenditures increased, there was still enough positive difference to increase the fund balance.
- The Capital Projects fund balance increased from \$272,459 in 2003, to \$425,893 in 2004 due to an increase in Local Option Sales and Service Tax.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$46,829 at June 30, 2003 to \$35,261 at June 30, 2004, representing a decrease of approximately 25%. For fiscal 2004, the District's salaries and benefits increased.

BUDGETARY HIGHLIGHTS

Over the course of the year, A-H-S-T Community School District amended its annual budget one time to reflect additional expenditures associated with all functional areas except for the other expenditures.

The District's revenues were \$126 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$1,130,565, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.2% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$124,726.

The original cost of the District's capital assets was \$4,225,483. Governmental funds account for \$4,060,662 with the remainder of \$164,821 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District's buildings totaled \$762,714 at June 30, 2004, compared to \$750,144 reported at June 30, 2003. This increase resulted from the current year acquisitions.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Buildings	\$ 762,714	0	762,714
Improvements other than buildings	7,318	0	7,318
Machinery and equipment	344,138	16,395	360,533
Total	\$ 1,114,170	16,395	1,130,565

Long-Term Debt

At June 30, 2004, the District had Long-term debt outstanding of \$44,919 in early retirement. This represents an increase of approximately 6.1% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	2004	2003	
Early retirement	\$ 44,919	42,319	6.1%

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:

- Although the District has experienced declining enrollment for a few years, the District expects enrollment to stabilize and remain constant.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Nancy Collins, District Board Secretary, A-H-S-T Community School District, P.O. Box 158, Avoca, Iowa, 51521.

BASIC FINANCIAL STATEMENTS

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP (Note 4)	\$ 491,650	0	491,650
Other	1,810,545	14,704	1,825,249
Receivables:			
Property tax:			
Delinquent	69,999	0	69,999
Succeeding year	1,896,163	0	1,896,163
Income surtax	173,370	0	173,370
Interfund	13,000	0	13,000
Accounts	9,803	0	9,803
Due from other governments	100,462	0	100,462
Inventories	0	7,143	7,143
Capital assets, net of accumulated depreciation (Note 5)	1,114,170	16,395	1,130,565
TOTAL ASSETS	5,679,162	38,242	5,717,404
LIABILITIES			
Interfund payable	13,000	0	13,000
Accounts payable	132,444	1,136	133,580
Salary and benefits payable	488,529	0	488,529
ISCAP warrants payable (Note 4)	489,000	0	489,000
ISCAP premiums payable	6,782	0	6,782
Deferred revenue:			
Succeeding year property tax	1,896,163	0	1,896,163
Other	0	1,845	1,845
Long-term liabilities (Note 6):			
Portion due within one year:			
Early retirement	6,655	0	6,655
Portion due after one year:			
Early retirement	38,264	0	38,264
TOTAL LIABILITIES	3,070,837	2,981	3,073,818
NET ASSETS			
Investment in capital assets, net of related debt	1,540,063	16,395	1,556,458
Restricted for:			
Early intervention	8,953	0	8,953
Teacher quality	161	0	161
Phase III	3,362	0	3,362
Physical plant & equipment levy	62,159	0	62,159
Other special revenue purposes	31,483	0	31,483
Unrestricted	962,144	18,866	981,010
TOTAL NET ASSETS	\$ 2,608,325	35,261	2,643,586

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,304,084	44,480	442,837
Special instruction	734,450	39,267	0
Other instruction	514,110	224,671	0
	<u>3,552,644</u>	<u>308,418</u>	<u>442,837</u>
Support services:			
Student services	140,717	0	0
Instructional staff services	126,586	0	0
Administration services	587,318	0	0
Operation and maintenance of plant services	336,990	0	0
Transportation services	255,089	0	0
	<u>1,446,700</u>	<u>0</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	167,428	0	0
AEA flowthrough	186,724	0	186,724
Depreciation(unallocated)*	40,686	0	0
	<u>394,838</u>	<u>0</u>	<u>186,724</u>
Total governmental activities	5,394,182	308,418	629,561
Business-Type activities:			
Non-instructional programs:			
Nutrition services	226,509	110,112	104,786
Total business-type activities	226,509	110,112	104,786
Total	\$ 5,620,691	418,530	734,347

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
Local option sales and service tax
Unrestricted state grants
Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year, as restated (Note 10)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,816,767)	0	(1,816,767)
(695,183)	0	(695,183)
(289,439)	0	(289,439)
(2,801,389)	0	(2,801,389)
(140,717)	0	(140,717)
(126,586)	0	(126,586)
(587,318)	0	(587,318)
(336,990)	0	(336,990)
(255,089)	0	(255,089)
(1,446,700)	0	(1,446,700)
(167,428)	0	(167,428)
0	0	0
(40,686)	0	(40,686)
(208,114)	0	(208,114)
(4,456,203)	0	(4,456,203)
0	(11,611)	(11,611)
0	(11,611)	(11,611)
(4,456,203)	(11,611)	(4,467,814)
\$ 2,016,779	0	2,016,779
59,633	0	59,633
379,479	0	379,479
2,212,917	0	2,212,917
5,332	43	5,375
4,674,140	43	4,674,183
217,937	(11,568)	206,369
2,390,388	46,829	2,437,217
\$ 2,608,325	35,261	2,643,586

A-H-S-T COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and pooled investments				
ISCAP (Note 4)	\$ 491,650	0	0	491,650
Other	1,250,834	405,367	154,344	1,810,545
Receivables:				
Property tax				
Delinquent	38,335	28,862	2,802	69,999
Succeeding year	1,773,903	0	122,260	1,896,163
Income surtax	173,370	0	0	173,370
Interfund	3,432	9,568	0	13,000
Accounts	9,713	0	90	9,803
Due from other governments	100,462	0	0	100,462
TOTAL ASSETS	\$ 3,841,699	443,797	279,496	4,564,992
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	0	13,000	13,000
Accounts payable	113,911	17,904	629	132,444
Salaries and benefits payable	488,529	0	0	488,529
ISCAP warrants payable (Note 4)	489,000	0	0	489,000
ISCAP premiums payable	6,782	0	0	6,782
Deferred revenue:				
Succeeding year property tax	1,773,903	0	122,260	1,896,163
Income surtax	173,370	0	0	173,370
Total liabilities	3,045,495	17,904	135,889	3,199,288
Fund balances:				
Reserved for:				
Early intervention	8,953	0	0	8,953
Teacher quality	161	0	0	161
Phase III	3,362	0	0	3,362
Unreserved:				
Undesignated	783,728	425,893	143,607	1,353,228
Total fund balances	796,204	425,893	143,607	1,365,704
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,841,699	443,797	279,496	4,564,992

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total fund balances of governmental funds (page 17)	\$ 1,365,704
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,114,170
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	173,370
Early retirement liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(44,919)
Net assets of governmental activites (page 14)	<u>\$ 2,608,325</u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,951,778	0	129,849	2,081,627
LOSST	0	379,479	0	379,479
Tuition	83,747	0	0	83,747
Other	87,243	0	141,105	228,348
Intermediate sources	0	0	1,655	1,655
State sources	2,708,583	0	0	2,708,583
Federal sources	133,895	0	0	133,895
Total revenues	4,965,246	379,479	272,609	5,617,334
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,282,332	0	0	2,282,332
Special instruction	781,836	0	0	781,836
Other instruction	391,960	0	121,842	513,802
	3,456,128	0	121,842	3,577,970
Support services:				
Student services	81,567	0	59,150	140,717
Instructional staff services	126,584	0	2	126,586
Administration services	578,669	6,692	0	585,361
Operation and maintenance of plant services	334,336	0	0	334,336
Transportation services	214,789	0	52,040	266,829
	1,335,945	6,692	111,192	1,453,829
Other expenditures:				
Facilities acquisitions	0	219,353	0	219,353
AEA flowthrough	186,724	0	0	186,724
	186,724	219,353	0	406,077
Total expenditures	4,978,797	226,045	233,034	5,437,876
Excess (deficiency) of revenues over (under) expenditures	(13,551)	153,434	39,575	179,458
Other financing sources:				
Sales of equipment and materials	1,000	0	0	1,000
Total other financing sources	1,000	0	0	1,000
Net change in fund balances	(12,551)	153,434	39,575	180,458
Fund balance beginning of year	808,755	272,459	104,032	1,185,246
Fund balance end of year	\$ 796,204	425,893	143,607	1,365,704

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T 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, 2004

Net change in fund balances - total governmental funds (page 19) \$ 180,458

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

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

Capital outlays	\$ 169,124	
Depreciation expense	(122,710)	46,414

The proceeds from the sale of equipment (\$1,000) are reported as revenue in the governmental funds. However, the cost of the equipment as well as the corresponding depreciation (\$1,120) is removed from the capital assets account in the Statement of Net Assets and offset against the sale proceeds resulting in a "loss on disposal of equipment" which is reported within the government-type expenses. Thus, more revenue is reported in the governmental funds than the Statement of Activities. (1,120)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.
 Early retirement (2,600)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (5,215)

Changes in net assets of governmental activities (page 16) \$ 217,937

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 14,704
Inventories	7,143
Capital assets, net of accumulated depreciation	16,395
TOTAL ASSETS	<u>38,242</u>
LIABILITIES	
Accounts payable	1,136
Deferred revenues	1,845
TOTAL LIABILITES	<u>2,981</u>
NET ASSETS	
Invested in capital assets, net of related debt	16,395
Unrestricted	18,866
TOTAL NET ASSETS	<u>\$ 35,261</u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 102,899
Miscellaneous	7,213
TOTAL OPERATING REVENUES	110,112
OPERATING EXPENSES:	
Food service operations:	
Salaries	82,471
Benefits	10,904
Services	8,015
Supplies	116,441
Other	1,566
Depreciation	2,016
TOTAL OPERATING EXPENSES	221,413
OPERATING LOSS	(111,301)
NON-OPERATING REVENUES (EXPENSES):	
Interest	43
Loss on disposal of assets	(5,096)
State sources	3,084
Federal sources	101,702
TOTAL NON-OPERATING REVENUES (EXPENSES)	99,733
Change in Net Assets	(11,568)
Net Assets at beginning of year	46,829
Net Assets end of year	\$ 35,261

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 102,678
Cash received from miscellaneous operating activities	7,213
Cash payments to employees for services	(93,375)
Cash payments to suppliers for goods or services	(97,871)
Net cash used in operating activities	(81,355)
Cash flows from non-capital financing activities:	
State grants received	3,084
Federal grants received	83,288
Net cash provided by non-capital financing activities	86,372
Cash flows from investing activities:	
Interest on investments	43
Net cash provided by investing activities	43
Cash flows from capital financing activities:	
Purchase of assets	(12,471)
Net cash used in financing activities	(12,471)
Net decrease in cash and cash equivalents	(7,411)
Cash and cash equivalents at beginning of year	22,115
Cash and cash equivalents at end of year	\$ 14,704
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (111,301)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,414
Depreciation	2,016
Decrease in inventories	8,601
Increase in accounts payable	1,136
Decrease in deferred revenue	(221)
Net cash used in operating activities	\$ (81,355)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 14,704
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2004, the District received Federal commodities valued at \$18,414.

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2004

	<u>Total Private- Purpose Trust</u>
ASSETS	
Cash and pooled investments	\$ 470,298
TOTAL ASSETS	<u>470,298</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Unreserved	446,845
Reserved for scholarships	<u>23,453</u>
TOTAL NET ASSETS	<u>\$ 470,298</u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2004

	<u>Total Private- Purpose Trust</u>
ADDITIONS:	
Local sources:	
Interest income	\$ 24,278
Support services:	
Scholarship awarded	36,282
Change in net assets	(12,004)
Net assets beginning of year	482,302
Net assets end of year	\$ 470,298

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

The A-H-S-T 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 Avoca, Iowa, and the predominate agricultural territory in Shelby, Harrison, and Pottawattmie 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, A-H-S-T Community School District has included all funds, organizations, account groups, 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 A-H-S-T 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 Shelby, Harrison, and Pottawattmie County Assessors' Conference Board.

B. Basis of Presentation

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

The Statement of Net Assets presents the District's

nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary fund:

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses

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

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

D. Assets, Liabilities and Fund Equity

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. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

Capital Assets - Capital assets, which include property, machinery, and equipment, 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	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Live (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 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.

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, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, no disbursements exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

(3) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	PPEL	\$ 3,432
Capital Projects	PPEL	9,568
Total		<u>\$ 13,000</u>

The PPEL Fund received fire safety grant money and the expenditures were paid out of the General and Capital Project Funds. Therefore the PPEL Fund is repaying them. The balance will be repaid by June 30, 2005.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/04	6/30/05	491,650	0	489,000	0
Total			\$ 491,650	0	489,000	0

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ 0	250,000	250,000	0
Total	\$ 0	250,000	250,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	1.050%
2004-05A	3.000%	2.463%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated (Note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated:				
Buildings	2,364,695	51,925	0	2,416,620
Land improvements	221,203	0	0	221,203
Machinery and equipment	1,369,680	117,199	64,040	1,422,839
Total capital assets being depreciated	3,955,578	169,124	64,040	4,060,662
Less accumulated depreciation for:				
Buildings	1,614,551	39,355	0	1,653,906
Land improvements	212,554	1,331	0	213,885
Machinery and equipment	1,059,597	82,024	62,920	1,078,701
Total accumulated depreciation	2,886,702	122,710	62,920	2,946,492
Total capital assets being depreciated, net	1,068,876	46,414	1,120	1,114,170
Governmental activities capital assets, net \$	1,068,876	46,414	1,120	1,114,170

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 157,446	12,471	5,096	164,821
Less accumulated depreciation	146,410	2,016	0	148,426
Business-type activities capital assets, net \$	11,036	10,455	5,096	16,395

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular			\$	36,845
Other				308
Support services:				
Instructional staff services				0
Administration services				1,957
Operation and maintenance of plant services				2,654
Transportation				40,260
				82,024
Unallocated depreciation				40,686
Total governmental activities depreciation expense			\$	122,710
Business-type activities:				
Food services			\$	2,016

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early retirement	\$ 42,319	8,060	5,460	44,919	6,655

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-seven and must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a specified amount based on the age during the year of retirement. Early retirement benefits paid during the year ended June 30, 2004, totaled \$5,460.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$164,453, \$163,006, and \$164,658 respectively, equal to the required contributions for each year.

(8) Risk Management

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

Each member's contributions to ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

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, 2004 were \$362,123.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

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. ISEBA will pay claims incurred before the termination date.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$186,724 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No.6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No.38, Certain Financial Statement Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statement create new basic financial statements for reporting the

District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$6,722,963 were restated to \$3,955,578. The restatement primarily removed assets below the District's capitalization threshold.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund		Total
	General	Other Governmental Funds	
Net assets, June 30, 2003, as previously reported \$	808,755	376,491	1,185,246
GASB Interpretation 6 adjustments	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	\$ 808,755	376,491	1,185,246
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$2,886,702			1,068,876
Income surtax			178,585
Long-term liabilities:			
Early retirement		42,319	(42,319)
Net assets July 1, 2003, as restated			\$ 2,390,388

REQUIRED SUPPLEMENTAL INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,603,291	109,934
State sources	2,823,529	3,084
Federal sources	113,067	101,702
Total receipts	<u>5,539,887</u>	<u>214,720</u>
Disbursements:		
Instruction	3,816,635	0
Support services	1,457,528	0
Non-instructional programs	0	222,131
Other disbursements	186,724	0
Total disbursements	<u>5,460,887</u>	<u>222,131</u>
Excess(deficiency) of receipts over(under) disbursements	79,000	(7,411)
Other financing sources, net	<u>1,000</u>	0
Excess(deficiency) of receipts and other financing sources over(under) disbursements	80,000	(7,411)
Balance beginning of year	<u>1,730,545</u>	<u>22,115</u>
Balance end of year	<u>\$ 1,810,545</u>	<u>14,704</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,713,225	2,742,034	2,742,034	(28,809)
2,826,613	2,782,699	2,782,699	43,914
214,769	230,000	230,000	(15,231)
5,754,607	5,754,733	5,754,733	(126)
3,816,635	4,500,000	4,500,000	683,365
1,457,528	1,840,085	1,840,085	382,557
222,131	300,000	300,000	77,869
186,724	900,140	900,140	713,416
5,683,018	7,540,225	7,540,225	1,857,207
71,589	(1,785,492)	(1,785,492)	1,857,081
1,000	0	0	1,000
72,589	(1,785,492)	(1,785,492)	1,858,081
1,752,660	1,785,492	1,785,492	(32,832)
1,825,249	0	0	1,825,249

A-H-S-T COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE-
 BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 5,539,887	77,447	5,617,334
Expenses	5,460,887	(23,011)	5,437,876
Net	79,000	100,458	179,458
Other financing sources, net	1,000	0	1,000
Beginning fund balances	1,730,545	(545,299)	1,185,246
Ending fund balances	\$ 1,810,545	(444,841)	1,365,704

	Proprietary Fund Type		
	Cash Basis	Enterprise Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 214,720	221	214,941
Expenses	222,131	4,378	226,509
Net	(7,411)	(4,157)	(11,568)
Beginning retained earnings	22,115	24,714	46,829
Ending retained earnings	\$ 14,704	20,557	35,261

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

OTHER SUPPLEMENTAL INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Manage- ment	Student Activity	Physical Plant & Equipment Levy	Total Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 48,391	32,022	73,931	154,344
Receivables:				
Property tax:				
Current year delinquent	1,574	0	1,228	2,802
Succeeding year	70,000	0	52,260	122,260
Accounts	0	90	0	90
TOTAL ASSETS	\$ 119,965	32,112	127,419	279,496
LIABILITIES AND FUND EQUITY				
Liabilities:				
Interfund payable	\$ 0	0	13,000	13,000
Accounts payable	0	629	0	629
Deferred revenue:				
Succeeding year property tax	70,000	0	52,260	122,260
	70,000	629	65,260	135,889
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	49,965	31,483	62,159	143,607
Total fund balances	49,965	31,483	62,159	143,607
TOTAL LIABILITIES AND FUND EQUITY	\$ 119,965	32,112	127,419	279,496

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Manage- ment	Student Activity	Physical Plant & Equipment Levy	Total Nonmajor Governmental Funds
REVENUES:				
Local sources:				
Local tax	\$ 70,216	0	59,633	129,849
Other	87	141,018	0	141,105
Intermediate sources	1,655	0	0	1,655
TOTAL REVENUES	71,958	141,018	59,633	272,609
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	0	121,842	0	121,842
	0	121,842	0	121,842
Support services:				
Student services	59,150	0	0	59,150
Instructional staff services	2	0	0	2
Transportation services	0	0	52,040	52,040
	59,152	0	52,040	111,192
TOTAL EXPENDITURES	59,152	121,842	52,040	233,034
Net change in fund balances	12,806	19,176	7,593	39,575
Fund balance beginning of year	37,159	12,307	54,566	104,032
Fund balance end of year	\$ 49,965	31,483	62,159	143,607

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Marketing class	\$ 2,134	731	(820)	3,685
Registration fee	5,350	1,204	909	5,645
Drill team	370	0	100	270
Physics	(6,503)	0	0	(6,503)
Show choir	(1,065)	2,423	1,754	(396)
Misc.	(11,802)	3,404	5,606	(14,004)
Activity tickets	19,957	3,250	0	23,207
Boys basketball	8,350	6,235	7,819	6,766
Track/CC	(13,131)	2,299	1,836	(12,668)
Cross	(3,350)	0	2,343	(5,693)
Community advertising	4,175	0	0	4,175
Golf	(7,063)	32	996	(8,027)
Football	(1,047)	11,437	9,752	638
Baseball	5,811	5,695	3,216	8,290
Wrestling	(9,966)	836	3,063	(12,193)
Girls basketball	8,409	0	0	8,409
Volleyball	(3,342)	2,691	3,165	(3,816)
Softball	3,866	5,615	4,119	5,362
Weightlifting	(613)	0	0	(613)
JH dues	(22,223)	0	1,004	(23,227)
Interest	68	26	0	94
Padlock fund	(43,290)	95	65	(43,260)
Registration fee	0	1,191	0	1,191
Revolving account	44,979	0	0	44,979
Class of 00	132	0	0	132
Class of 01	31	0	0	31
Class of 02	(13)	0	0	(13)
Class of 03	27	2	0	29
Class of 04	1,133	2,208	3,296	45
Class of 05	(39)	10,802	8,702	2,061
Start up cash paid out	(80)	1,450	1,850	(480)
Annuals	333	2,546	3,829	(950)
Cheerleaders-fb	1,960	1,399	1,164	2,195
Pop	5,852	3,699	979	8,572
Drama	2,367	1,559	809	3,117
Vocal	346	444	794	(4)
Vi teens	1,438	919	584	1,773
French club	570	1,210	1,626	154
Physics	28	0	0	28
National honor society	669	784	1,178	275
Musical	1,858	0	0	1,858
Snack machine	343	0	0	343
Cheerleaders-BB	(2,914)	16,182	6,370	6,898
Cheerleaders-wrestling	899	490	504	885
Washington trip	0	13,324	13,215	109
Science trip	727	0	0	727
Math	50	937	1,216	(229)
Volleyball	0	407	0	407
Band trip	158	0	0	158
Elementary activity	2,488	1,459	1,331	2,616
School arboretum account	348	0	0	348
Elementary annual	573	0	0	573
Concessions	1,686	8,958	9,724	920
Sport supplies	(5,046)	0	0	(5,046)
Interest-MS	1,209	143	0	1,352
Padlock	285	65	165	185
Leadership	415	0	0	415
Cheerleader	11,879	0	0	11,879
Pop	(4,217)	484	1,233	(4,966)
History day	533	0	0	533
Student	5,432	0	0	5,432
Middle school	(5,405)	24,383	18,346	632
Ice cream	6,178	0	0	6,178
Total	\$ 12,307	141,018	121,842	31,483

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 2,461,106	2,540,892	2,139,244	1,926,913
Tuition	83,747	67,769	107,844	68,829
Other	230,003	226,864	242,844	272,921
State sources	2,708,583	2,588,837	2,593,164	2,695,657
Federal sources	133,895	186,654	95,574	108,055
Total	\$ 5,617,334	5,611,016	5,178,670	5,072,375
Expenditures:				
Instruction:				
Regular instruction	\$ 2,282,332	2,016,255	1,988,751	1,763,793
Special instruction	781,836	637,793	602,414	540,630
Other instruction	513,802	514,891	528,885	574,238
Support services:				
Student services	140,717	175,344	84,385	116,753
Instructional staff services	126,586	134,850	149,543	116,974
Administration services	585,361	532,109	579,751	958,318
Operation and maintenance of plant services	334,336	436,326	444,833	467,655
Transportation services	266,829	268,988	261,135	270,514
Other expenditures:				
Facilities acquisitions	219,353	96,151	38,495	100,836
Long Term Debt:				
AEA flow-through	186,724	197,699	198,784	200,611
Total	\$ 5,437,876	5,010,406	4,876,976	5,110,322

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2004

	Siewers Scholarship	Rock Scholarship	Peterson Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 16,278	263,056	190,964	470,298
TOTAL ASSETS	16,278	263,056	190,964	470,298
LIABILITIES				
	0	0	0	0
NET ASSETS				
Reserved for scholarships	15,000	256,124	175,721	446,845
Unreserved	1,278	6,932	15,243	23,453
TOTAL NET ASSETS	\$ 16,278	263,056	190,964	470,298

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN
FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2004

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Total
ADDITIONS:				
Local sources:				
Interest income	\$ 1,279	14,849	8,150	24,278
DEDUCTIONS:				
Support services:				
Scholarship awarded	1,282	22,000	13,000	36,282
Change in net assets	(3)	(7,151)	(4,850)	(12,004)
Net assets beginning of year	16,281	270,207	195,814	482,302
Net assets end of year	\$ 16,278	263,056	190,964	470,298

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 Compliance and on Internal Control over Financial Reporting

To the Board of Education of the
A-H-S-T Community School District:

We have audited the financial statements of A-H-S-T Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 28, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether A-H-S-T 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 grants, 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 an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved except for II-A-04, II-G-04, and II-K-04.

Internal Control Over Financial Reporting

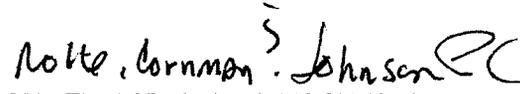
In planning and performing our audit, we considered A-H-S-T Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our

consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for I-A-04, I-C-04, I-D-04, I-E-04, and I-F-04.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of A-H-S-T 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.

September 28, 2004

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. 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 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 that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

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

Conclusion - Response accepted.

I-B-04 Credit Card Policy - We noted during our audit that the District has a credit card policy that requires detail receipts. However, on some payments for reimbursement there was not a detail receipt when a credit card was used.

Recommendation - The district should follow the credit card policy and follow proper procedures when reimbursing credit card purchases.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

I-C-04 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

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

Response - We will comply.

Conclusion - Response accepted.

I-D-04 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account and class accounts which have graduated and do not have any transactions.

Recommendation - Interest should be allocated out to various accounts. The class accounts, which students have already graduated should be closed out to another student activity account.

Response - We agree with your recommendation and will correct immediately.

Conclusion - Response accepted.

I-E-04 Student Activity Fund - We noted during our audit that the Student Activity fund included accounts that may be more appropriate in another fund.

Recommendation - Registration fees collected for textbooks and classes should be transferred to the General Fund. The student activity should not be used as a clearing account for collecting fees. Padlock accounts may be more appropriate in the general fund. The start up cash account should not be reflected as a negative fund balance rather it should be shown on the balance sheet as cash on hand. The marketing class and physics accounts should be reviewed to determine proper placement. If these are extensions of the class, the General Fund may be more appropriate.

Response - We agree with your recommendation and will correct immediately.

Conclusion - Response accepted.

I-F-04 Transfers - We noted during our audit that the District has interfund payables/receivables which were on the balance sheets in the prior year and still on the current year balance sheets.

Recommendation - The District should repay the interfund loans. Money borrowed on a short term basis from a fund should be repaid before the year end.

Response - We agree with your recommendation and will correct immediately.

Conclusion - Response accepted.

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

II-A-04 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2004.

Recommendation - The district should increase their depository limits.

Response - We will raise them in the future.

Conclusion - Response accepted.

II-B-04 Certified Budget - District disbursements for the year ended June 30, 2003, did not exceed the amount budgeted.

II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 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-E-04 Business Transactions - No business transactions between the District and District officials were noted

II-F-04 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-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion- Response accepted.

Minutes - Chapter 21.3 of the Code of Iowa states in part: "Each governmental body shall keep minutes of all its meetings showing the date, time and place, the members present, and the action taken and information sufficient to indicate the vote of each member present. The vote of each member present shall be made public to the open session. The minutes shall be public records open to public inspection." The District minutes record only reflected "motion carried".

Recommendation - The District's minutes record should reflect the results of each vote taken and information sufficient to indicate the vote of each board member present in accordance with the requirements of Chapter 21.3 of the Code of Iowa.

Response - We agree with your recommendation. We have implemented this recommendation.

Conclusion- Response accepted.

Closed Meetings - Chapter 21.5 of the Code of Iowa provides the specific purposes a governmental body may hold a closed session. When the District held closed sessions during the year, the District provided a brief description for the closed session(s) but did not always identify the specific statutory section allowing the closed session.

Recommendation - The District should identify the specific statutory authority allowing the closed session including documentation of the request to close the session or hold an open session, when applicable.

Response - We agree with your recommendation. We have implemented this recommendation.

Conclusion - Response accepted.

II-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-04 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-04 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-04 Financial Condition - The District had several accounts with deficit balances in the Student Activity Fund as of June 30, 2004. The amount of negative balance accounts totaled \$142,088. The negative balances combined with positive accounts at June 30, 2004 equals \$31,483.

Recommendation - These negative balances impact the earnings as well as expenditures available since funds may not be available, although the individual account may appear to have available funds. The District should continue to monitor these funds and investigate alternatives to eliminate these deficits.

Response - We are monitoring these accounts.

Conclusion - Response accepted.