

A-H-S-T COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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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 2004 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
Board of Education (After September 2004 Election)		
John Pattee	President	2005
Mark Schroder	Vice President	2005
Darlene McMartin	Board Member	2005
Laurie Fell	Board Member	2006
Monte Riesgaard	Board Member	2007
Greg Becker	Board Member	2006
Gene McCool	Board Member	2007
School Officials		
Charles Scott	Superintendent	2005
Nancy Collins	District Secretary/Treasurer and Business Manager	2005
Drew Bracken	Attorney	2005

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(a professional corporation)
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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, the business-type activities, each major fund and the aggregate remaining fund information of the A-H-S-T Community School District, Avoca, Iowa as of and for the year ended June 30, 2005, 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 A-H-S-T Community School District at June 30, 2005, 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.

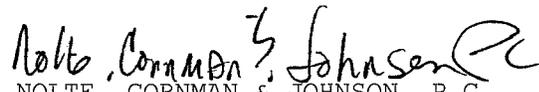
In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2005 on our consideration of the A-H-S-T Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of

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inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 the three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary 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, P.C.

October 20, 2005

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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,965,246 in fiscal 2004 to \$5,031,351 in fiscal 2005, while General Fund expenditures increased from \$4,978,797 in fiscal 2004 to \$5,411,353 in fiscal 2005. Although revenues increased in fiscal 2005, the increase was not enough to offset the increases in District expenditures. This resulted in a decrease in the District's General Fund balance from \$796,204 in fiscal 2004 to a balance of \$417,821 in fiscal 2005, a 48% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state and federal revenues in fiscal 2005. The increase in expenditures was due primarily to an increase in regular instruction expenditures for 2005.

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 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.

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.

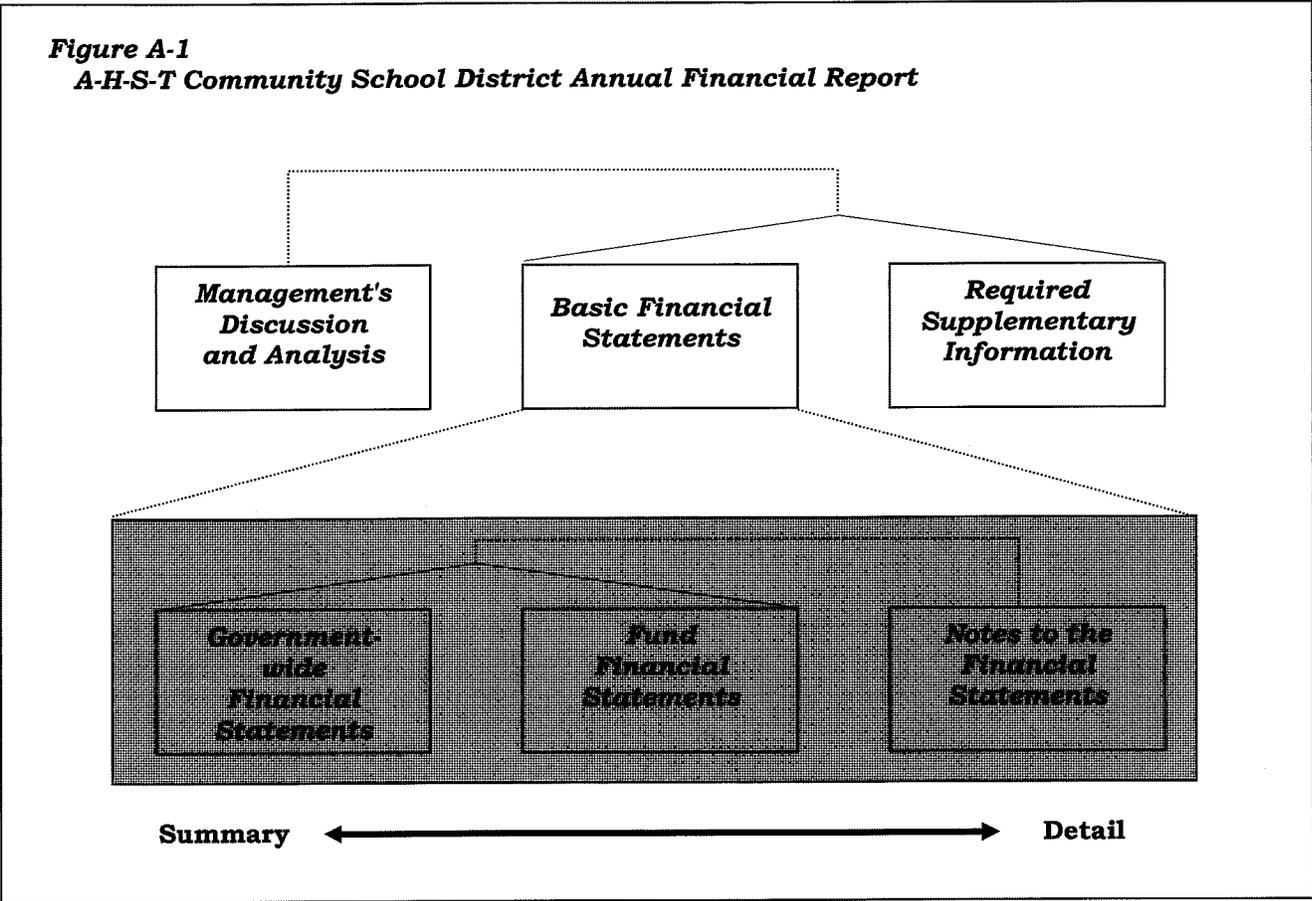


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 4,670,204	4,564,992	26,812	21,847	4,697,016	4,586,839	2.4%
Capital assets	1,111,160	1,114,170	38,663	16,395	1,149,823	1,130,565	1.7%
Total assets	5,781,364	5,679,162	65,475	38,242	5,846,839	5,717,404	2.3%
Long-term obligations	159,945	44,919	0	0	159,945	44,919	256.1%
Other liabilities	3,187,219	3,025,918	4,443	2,981	3,191,662	3,028,899	5.4%
Total liabilities	3,347,164	3,070,837	4,443	2,981	3,351,607	3,073,818	9.0%
Net assets:							
Invested in capital assets, net of related debt	1,111,160	1,540,063	38,663	16,395	1,149,823	1,556,458	-26.1%
Restricted	908,503	106,118	0	0	908,503	106,118	756.1%
Unrestricted	414,537	962,144	22,369	18,866	436,906	981,010	-55.5%
Total net assets	\$ 2,434,200	2,608,325	61,032	35,261	2,495,232	2,643,586	-5.6%

The District's combined net assets decreased by \$148,354, or 5.6% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$802,385, or 756.1% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$544,896, or 55.5%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 300,574	308,418	113,679	110,112	414,253	418,530	-1.0%
Operating grants and contributions and restricted interest	671,341	629,561	114,125	104,786	785,466	734,347	7.0%
General revenues:							
Local tax	1,875,544	2,076,412	0	0	1,875,544	2,076,412	-9.7%
Local option sales and service tax	436,668	379,479	0	0	436,668	379,479	15.1%
Unrestricted state grants	2,425,660	2,212,917	0	0	2,425,660	2,212,917	9.6%
Other	20,477	5,332	20	43	20,497	5,375	281.3%
Total revenues	5,730,264	5,612,119	227,824	214,941	5,958,088	5,827,060	2.2%
Program expenses:							
Governmental activities:							
Instructional	4,201,117	3,552,644	0	0	4,201,117	3,552,644	18.3%
Support services	1,469,475	1,446,700	0	0	1,469,475	1,446,700	1.6%
Non-instructional programs	0	0	228,385	226,509	228,385	226,509	0.8%
Other expenses	233,797	394,838	0	0	233,797	394,838	-40.8%
Total expenses	5,904,389	5,394,182	228,385	226,509	6,132,774	5,620,691	9.1%
Net income(loss) before capital contributions	(174,125)	217,937	(561)	(11,568)	(174,686)	206,369	-184.6%
Capital contributions	0	0	26,332	0	26,332	0	100.0%
Change in net assets	(174,125)	217,937	25,771	(11,568)	(148,354)	206,369	-171.9%
Net assets beginning of year	2,608,325	2,390,388	35,261	46,829	2,643,586	2,437,217	8.5%
Net assets end of year	\$ 2,434,200	2,608,325	61,032	35,261	2,495,232	2,643,586	-5.6%

Property tax, local option sales and service tax and unrestricted state grants account for 79.5% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 92.5% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,730,264 and expenses were \$5,904,389. 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 and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,201,117	3,413,963
Support services	1,469,475	1,469,475
Other expenses	233,797	49,036
Totals	<u>\$ 5,904,389</u>	<u>4,932,474</u>

- The cost financed by users of the District's programs was \$300,574.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$671,341.
- The net cost of governmental activities was financed with \$2,312,212 in local tax, \$2,425,660 in unrestricted state grants, and \$18,858 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$227,824 and expenses were \$228,385. 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 \$1,337,696, below last year's ending fund balances of a \$1,365,704.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Reduction in tax levy during the year resulted in a decrease in tax revenues, however; increases in state and federal grant revenues allowed the revenues to increase. With the increase in revenues came an increase in General Fund expenditures. The total expenditures were still enough to offset the total revenues, despite the increases in both, ensuring the decrease of the District's financial position.
- The Management and Activity Fund combined balance increased from \$81,448 in 2004, to \$87,042 in 2005.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$62,159 to \$97,794. Even though revenues decreased, the decrease in expenditures was enough to cause the positive difference to increase the fund balance.
- The Capital Projects fund balance increased from \$425,893 in 2004, to \$735,039 in 2005 due to an increase in Local Option Sales and Service Tax and a reduction in expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$35,261 at June 30, 2004 to \$61,032 at June 30, 2005, representing an increase of approximately 73%. For fiscal 2005, the District's Capital Projects Fund contributed capital in the amount of \$26,332 for the purchase of assets.

BUDGETARY HIGHLIGHTS

The District's revenues were \$246,346 less than budgeted revenues, a variance of less than 4%. The most significant variance resulted from the District receiving less 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, 2005, the District had invested \$1,149,823, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.7% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$118,620.

The original cost of the District's capital assets was \$4,321,425. Governmental funds account for \$4,132,137 with the remainder of \$189,288 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$7,318 at June 30, 2004, compared to \$5,988 reported at June 30, 2005. This decrease resulted from the current year depreciation.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Buildings	\$ 843,933	762,714	0	0	843,933	762,714	10.6%
Land improvements	5,988	7,318	0	0	5,988	7,318	-18.2%
Machinery and equipment	261,239	344,138	38,663	16,395	299,902	360,533	-16.8%
Total	\$ 1,111,160	1,114,170	38,663	16,395	1,149,823	1,130,565	1.7%

Long-Term Debt

At June 30, 2005, the District had Long-term debt outstanding of \$159,945 in early retirement. This represents an increase of approximately 256.1% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	2005	2004	
Early retirement	\$ 159,945	44,919	256.1%

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:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The state's economy is showing limited signs of economic recovery. The weak economy has adversely impacted the State of Iowa's budget and has translated into reduced levels of state aid funding for education.
- The increases in utility and transportation costs are still a concern for the District.

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, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP(Note 4)	\$ 818,695	0	818,695
Other	1,606,788	22,340	1,629,128
Receivables:			
Property tax:			
Delinquent	39,272	0	39,272
Succeeding year	1,846,882	0	1,846,882
Income surtax	173,370	0	173,370
Accounts	880	0	880
Accrued ISCAP interest (Note 4)	175	0	175
Due from other governments	184,142	0	184,142
Inventories	0	4,472	4,472
Capital assets, net of accumulated depreciation (Note 5)	1,111,160	38,663	1,149,823
TOTAL ASSETS	5,781,364	65,475	5,846,839
LIABILITIES			
Accounts payable	69,355	1,417	70,772
Salary and benefits payable	416,800	0	416,800
ISCAP warrants payable (Note 4)	815,000	0	815,000
ISCAP accrued interest payable (Note 4)	156	0	156
ISCAP premiums payable	10,945	0	10,945
ISEBA assessment payable (Note 8)	28,081	0	28,081
Deferred revenue:			
Succeeding year property tax	1,846,882	0	1,846,882
Other	0	3,026	3,026
Long-term liabilities (Note 6):			
Portion due within one year:			
Early retirement	28,563	0	28,563
Portion due after one year:			
Early retirement	131,382	0	131,382
TOTAL LIABILITIES	3,347,164	4,443	3,351,607
NET ASSETS			
Investment in capital assets, net of related debt	1,111,160	38,663	1,149,823
Restricted for:			
Talented and gifted	39,917	0	39,917
Teacher quality	152	0	152
Phase III	3,362	0	3,362
Capital projects	735,039	0	735,039
Physical plant & equipment levy	97,794	0	97,794
Other special revenue purposes	32,239	0	32,239
Unrestricted	414,537	22,369	436,906
TOTAL NET ASSETS	\$ 2,434,200	61,032	2,495,232

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Operating Grants, Contributions Charges for and Restricted Services Interest	
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,901,377	35,233	486,580
Special instruction	864,153	49,459	0
Other instruction	435,587	215,882	0
	<u>4,201,117</u>	<u>300,574</u>	<u>486,580</u>
Support services:			
Student services	124,686	0	0
Instructional staff services	96,833	0	0
Administration services	562,676	0	0
Operation and maintenance of plant services	465,159	0	0
Transportation services	220,121	0	0
	<u>1,469,475</u>	<u>0</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	7,977	0	0
AEA flowthrough	184,761	0	184,761
Depreciation (unallocated) *	41,059	0	0
	<u>233,797</u>	<u>0</u>	<u>184,761</u>
Total governmental activities	5,904,389	300,574	671,341
Business-Type activities:			
Non-instructional programs:			
Nutrition services	228,385	113,679	114,125
Total business-type activities	<u>228,385</u>	<u>113,679</u>	<u>114,125</u>
Total	<u>\$ 6,132,774</u>	<u>414,253</u>	<u>785,466</u>

General Revenues:

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

Total general revenues

Changes in net assets before capital contributions

 Capital contribution

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(2,379,564)	0	(2,379,564)
(814,694)	0	(814,694)
(219,705)	0	(219,705)
<u>(3,413,963)</u>	<u>0</u>	<u>(3,413,963)</u>
(124,686)	0	(124,686)
(96,833)	0	(96,833)
(562,676)	0	(562,676)
(465,159)	0	(465,159)
(220,121)	0	(220,121)
<u>(1,469,475)</u>	<u>0</u>	<u>(1,469,475)</u>
(7,977)	0	(7,977)
0	0	0
(41,059)	0	(41,059)
<u>(49,036)</u>	<u>0</u>	<u>(49,036)</u>
(4,932,474)	0	(4,932,474)
0	(581)	(581)
0	(581)	(581)
<u>(4,932,474)</u>	<u>(581)</u>	<u>(4,933,055)</u>
\$ 1,823,312	0	1,823,312
52,232	0	52,232
436,668	0	436,668
2,425,660	0	2,425,660
18,858	20	18,878
1,619	0	1,619
<u>4,758,349</u>	<u>20</u>	<u>4,758,369</u>
(174,125)	(561)	(174,686)
0	26,332	26,332
(174,125)	25,771	(148,354)
<u>2,608,325</u>	<u>35,261</u>	<u>2,643,586</u>
<u>\$ 2,434,200</u>	<u>61,032</u>	<u>2,495,232</u>

A-H-S-T COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and pooled investments				
ISCAP(Note 4)	\$ 818,695	0	0	818,695
Other	752,493	669,426	184,869	1,606,788
Receivables:				
Property tax				
Delinquent	36,023	0	3,249	39,272
Succeeding year	1,654,490	0	192,392	1,846,882
Income surtax	173,370	0	0	173,370
Interfund	3,432	0	0	3,432
Accounts	582	148	150	880
ISCAP accrued interest(Note 4)	175	0	0	175
Due from other governments	118,677	65,465	0	184,142
TOTAL ASSETS	\$ 3,557,937	735,039	380,660	4,673,636
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	0	3,432	3,432
Accounts payable	69,355	0	0	69,355
Salaries and benefits payable	416,800	0	0	416,800
ISCAP warrants payable(Note 4)	815,000	0	0	815,000
ISCAP accrued interest payable(Note 4)	156	0	0	156
ISCAP premiums payable	10,945	0	0	10,945
Deferred revenue:				
Succeeding year property tax	1,654,490	0	192,392	1,846,882
Income surtax	173,370	0	0	173,370
Total liabilities	<u>3,140,116</u>	<u>0</u>	<u>195,824</u>	<u>3,335,940</u>
Fund balances:				
Reserved for:				
Talented and gifted	39,917	0	0	39,917
Teacher quality	152	0	0	152
Phase III	3,362	0	0	3,362
Unreserved:				
Undesignated	374,390	735,039	184,836	1,294,265
Total fund balances	<u>417,821</u>	<u>735,039</u>	<u>184,836</u>	<u>1,337,696</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,557,937	735,039	380,660	4,673,636

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds (page 16)	\$ 1,337,696
 <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.	1,111,160
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.	(159,945)
ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlement and, therefore, is not reported as a liability in the governmental funds.	<u>(28,081)</u>
 Net assets of governmental activites (page 13)	 <u><u>\$ 2,434,200</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,752,568	0	122,976	1,875,544
LOSST	0	436,668	0	436,668
Tuition	84,692	0	0	84,692
Other	97,090	1,403	137,866	236,359
State sources	2,862,093	0	0	2,862,093
Federal sources	234,908	0	0	234,908
Total revenues	<u>5,031,351</u>	<u>438,071</u>	<u>260,842</u>	<u>5,730,264</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,746,076	0	0	2,746,076
Special instruction	864,153	0	0	864,153
Other instruction	307,585	0	133,505	441,090
	<u>3,917,814</u>	<u>0</u>	<u>133,505</u>	<u>4,051,319</u>
Support services:				
Student services	55,378	0	69,308	124,686
Instructional staff services	96,833	0	0	96,833
Administration services	560,376	0	0	560,376
Operation and maintenance of plant services	401,845	0	16,800	418,645
Transportation services	194,346	0	0	194,346
	<u>1,308,778</u>	<u>0</u>	<u>86,108</u>	<u>1,394,886</u>
Other expenditures:				
Facilities acquisitions	0	128,925	0	128,925
AEA flowthrough	184,761	0	0	184,761
	<u>184,761</u>	<u>128,925</u>	<u>0</u>	<u>313,686</u>
Total expenditures	<u>5,411,353</u>	<u>128,925</u>	<u>219,613</u>	<u>5,759,891</u>
Excess(deficiency) of revenues over(under) expenditures	(380,002)	309,146	41,229	(29,627)
Other financing sources:				
Sales of equipment	1,619	0	0	1,619
Net change in fund balances	(378,383)	309,146	41,229	(28,008)
Fund balance beginning of year	796,204	425,893	143,607	1,365,704
Fund balance end of year	<u>\$ 417,821</u>	<u>735,039</u>	<u>184,836</u>	<u>1,337,696</u>

SEE NOTES TO BASIC 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, 2005

Net change in fund balances - total governmental funds (page 18) \$ (28,008)

*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	\$ 161,206	
Depreciation expense	<u>(114,556)</u>	46,650

The proceeds from the sale of equipment (\$1,619) are reported as revenue in the governmental funds. However, the cost of the equipment as well as the corresponding depreciation (\$48,041) 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. (49,660)

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	\$ (115,026)	
ISEBA assessment	<u>(28,081)</u>	(143,107)

Changes in net assets of governmental activities (page 15) \$ (174,125)

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 22,340
Inventories	4,472
Capital assets, net of accumulated depreciation(Note 5)	38,663
TOTAL ASSETS	65,475
 LIABILITIES	
Accounts payable	1,417
Deferred revenues:	
Other	3,026
TOTAL LIABILITES	4,443
 NET ASSETS	
Investment in capital assets, net of related debt	38,663
Unrestricted	22,369
TOTAL NET ASSETS	\$ 61,032

SEE NOTES TO BASIC 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, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 97,116
Adults	12,119
A la carte	3,203
Miscellaneous	1,241
TOTAL OPERATING REVENUES	113,679
OPERATING EXPENSES:	
Food service operations:	
Salaries	79,444
Benefits	10,401
Services	7,252
Supplies	124,951
Other	2,273
Depreciation	4,064
TOTAL OPERATING EXPENSES	228,385
OPERATING LOSS	(114,706)
NON-OPERATING REVENUES:	
Interest	20
State sources	3,766
Federal sources	110,359
TOTAL NON-OPERATING REVENUES	114,145
Change in net assets before capital contribution	(561)
Capital contribution	26,332
Change in net assets after	25,771
Net assets at beginning of year	35,261
Net assets end of year	\$ 61,032

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 113,619
Cash received from miscellaneous operating activities	1,241
Cash payments to employees for services	(89,845)
Cash payments to suppliers for goods or services	(113,167)
Net cash used in operating activities	(88,152)
Cash flows from non-capital financing activities:	
State grants received	3,766
Federal grants received	92,002
Net cash provided by non-capital financing activities	95,768
Cash flows from investing activities:	
Interest on investments	20
Net cash provided by investing activities	20
Net increase in cash and cash equivalents	7,636
Cash and cash equivalents at beginning of year	14,704
Cash and cash equivalents at end of year	\$ 22,340
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (114,706)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,357
Depreciation	4,064
Decrease in inventories	2,671
Increase in accounts payable	281
Increase in deferred revenue	1,181
Net cash used in operating activities	\$ (88,152)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 22,340

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$18,357.

During the year ended June 30, 2005, the District received capital contributions from Capital Projects valued at \$26,332

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2005

	<u>Total Private- Purpose Trust</u>
ASSETS	
Cash and pooled investments	\$ 474,484
TOTAL ASSETS	<u>474,484</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	461,845
Unreserved	<u>12,639</u>
TOTAL NET ASSETS	<u>\$ 474,484</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2005

	Total Private- Purpose Trust
Additions:	
Local sources:	
Interest income	\$ 20,466
Donations	15,000
Total revenues	35,466
Deductions:	
Support services:	
Scholarship awarded	31,280
Change in net assets	4,186
Net assets beginning of year	470,298
Net assets end of year	\$ 474,484

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

(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, 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, 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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
Land improvements	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 Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for 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.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had investments in certificates of deposit that are stated at a fair value of \$431,844 and classified as risk category 1, which are investments that are insured and registered and held by the District or its agent in the District's name.

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	PPEL	<u>\$ 3,432</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 Schools 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. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/2004	6/30/2005	\$ 85	0	0	0
2005-06A	6/28/2005	6/28/2006	818,610	175	815,000	156
Total			<u>\$ 818,695</u>	<u>175</u>	<u>815,000</u>	<u>156</u>

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, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ 0	200,000	200,000	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
2004-05A	3.000%	2.463%
2005-06A	3.500%	3.903%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 2,416,620	120,948	0	2,537,568
Land improvements	221,203	0	0	221,203
Machinery and equipment	1,422,839	40,258	89,731	1,373,366
Total capital assets being depreciated	<u>4,060,662</u>	<u>161,206</u>	<u>89,731</u>	<u>4,132,137</u>
Less accumulated depreciation for:				
Buildings	1,653,906	39,729	0	1,693,635
Land improvements	213,885	1,330	0	215,215
Machinery and equipment	1,078,701	73,497	40,071	1,112,127
Total accumulated depreciation	<u>2,946,492</u>	<u>114,556</u>	<u>40,071</u>	<u>3,020,977</u>
Total capital assets being depreciated, net	<u>1,114,170</u>	<u>46,650</u>	<u>49,660</u>	<u>1,111,160</u>
Governmental activities capital assets, net	<u>\$ 1,114,170</u>	<u>46,650</u>	<u>49,660</u>	<u>1,111,160</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 164,821	26,332	1,865	189,288
Less accumulated depreciation	148,426	4,064	1,865	150,625
Business-type activities capital assets, net	<u>\$ 16,395</u>	<u>22,268</u>	<u>0</u>	<u>38,663</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 26,457
Other		654
Support services:		
Administration services		1,957
Operation and maintenance of plant services		2,654
Transportation		41,775
		<u>73,497</u>
Unallocated depreciation		<u>41,059</u>
Total governmental activities depreciation expense		<u>\$ 114,556</u>
Business-type activities:		
Food services		<u>\$ 4,064</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early retirement	\$ 44,919	125,375	10,349	159,945	28,563

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, 2005, totaled \$10,349.

(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 covered payroll for the years ended June 30, 2005, 2004, 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$174,574, \$164,453, and \$163,006, respectively, equal to the required contributions for each year.

(8) Risk Management

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$1.95 million. The District's share of this assessment was \$28,081 which is recorded as a liability as of June 30, 2005.

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

exceeded commercial insurance coverage in any of the past three fiscal years.

(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 \$184,761 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY 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, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 3,025,666	114,880
State sources	2,425,660	3,766
Federal sources	234,908	110,359
Total receipts	<u>5,686,234</u>	<u>229,005</u>
Disbursements:		
Instruction	4,204,326	0
Support services	1,355,694	0
Non-instructional programs	0	221,369
Other expeditue	331,590	0
Total disbursements	<u>5,891,610</u>	<u>221,369</u>
Excess(deficiency) of receipts over(under) disbursements	(205,376)	7,636
Other financing sources, net	<u>1,619</u>	<u>0</u>
Excess(deficiency) of receipts and other financing sources over(under) disbursements	(203,757)	7,636
Balance beginning of year	<u>1,810,545</u>	<u>14,704</u>
Balance end of year	<u>\$ 1,606,788</u>	<u>22,340</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
3,140,546	2,974,533	2,974,533	166,013
2,429,426	2,897,052	2,897,052	(467,626)
345,267	290,000	290,000	55,267
<u>5,915,239</u>	<u>6,161,585</u>	<u>6,161,585</u>	<u>(246,346)</u>
4,204,326	4,581,697	4,581,697	377,371
1,355,694	1,872,344	1,872,344	516,650
221,369	267,115	267,115	45,746
331,590	941,773	941,773	610,183
<u>6,112,979</u>	<u>7,662,929</u>	<u>7,662,929</u>	<u>1,549,950</u>
(197,740)	(1,501,344)	(1,501,344)	1,303,604
<u>1,619</u>	<u>5,000</u>	<u>5,000</u>	<u>(3,381)</u>
(196,121)	(1,496,344)	(1,496,344)	1,300,223
<u>1,825,249</u>	<u>2,073,646</u>	<u>2,073,646</u>	<u>(248,397)</u>
<u>1,629,128</u>	<u>577,302</u>	<u>577,302</u>	<u>1,051,826</u>

A-H-S-T COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE-
 BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 5,686,234	44,030	5,730,264
Expenses	5,891,610	(131,719)	5,759,891
Net	(205,376)	175,749	(29,627)
Other financing sources, net	1,619	0	1,619
Beginning fund balances	1,810,545	(444,841)	1,365,704
Ending fund balances	\$ 1,606,788	(269,092)	1,337,696

	Proprietary Fund Type		
	Cash Basis	Enterprise	
		Adjust- ments	Accrual Basis
Revenues	\$ 229,005	(1,181)	227,824
Expenses	221,369	7,016	228,385
Net	7,636	(8,197)	(561)
Other financing sources, net	0	26,332	26,332
Beginning net assets	14,704	20,557	35,261
Ending net assets	\$ 22,340	38,692	61,032

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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 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 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.

OTHER SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Manage- ment	Student Activity	Physical Plant & Equipment Levy	Total Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 52,722	32,089	100,058	184,869
Receivables:				
Property tax:				
Current year delinquent	2,081	0	1,168	3,249
Succeeding year	140,000	0	52,392	192,392
Accounts	0	150	0	150
TOTAL ASSETS	\$ 194,803	32,239	153,618	380,660
LIABILITIES AND FUND EQUITY				
Liabilities:				
Interfund payable	\$ 0	0	3,432	3,432
Deferred revenue:				
Succeeding year property tax	140,000	0	52,392	192,392
	140,000	0	55,824	195,824
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	54,803	32,239	97,794	184,836
Total fund balances	54,803	32,239	97,794	184,836
TOTAL LIABILITIES AND FUND EQUITY	\$ 194,803	32,239	153,618	380,660

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, 2005

	Manage- ment	Student Activity	Physical Plant & Equipment Levy	Total Nonmajor Governmental Funds
REVENUES:				
Local sources:				
Local tax	\$ 70,744	0	52,232	122,976
Other	3,402	134,261	203	137,866
TOTAL REVENUES	74,146	134,261	52,435	260,842
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	0	133,505	0	133,505
	0	133,505	0	133,505
Support services:				
Student services	69,308	0	0	69,308
Operation and maintenance of plant services	0	0	16,800	16,800
	69,308	0	16,800	86,108
TOTAL EXPENDITURES	69,308	133,505	16,800	219,613
Net change in fund balances	4,838	756	35,635	41,229
Fund balance beginning of year	49,965	31,483	62,159	143,607
Fund balance end of year	\$ 54,803	32,239	97,794	184,836

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, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Marketing class	\$ 3,685	0	2,205	1,480
Drill team	270	486	634	122
Show choir	(396)	1,528	0	1,132
Misc.	(20,507)	21,969	0	1,462
Activity tickets	23,207	3,855	24,191	2,871
Boys basketball	6,766	8,200	13,457	1,509
Track/CC	(12,668)	13,399	0	731
Cross	(1,518)	1,532	745	(731)
Golf	(8,027)	8,027	0	0
Football	638	5,000	3,607	2,031
Baseball	(3,903)	4,616	(332)	1,045
Girls basketball	14,054	0	16,674	(2,620)
Volleyball	(3,816)	3,409	0	(407)
Softball	4,749	2,973	5,721	2,001
JH dues	(23,227)	22,581	0	(646)
Interest	318	0	1,930	(1,612)
Padlock fund	2,910	0	12,928	(10,018)
Class of 05	2,061	1,410	3,569	(98)
Class of 06	0	7,215	5,752	1,463
Class of 07	0	10	226	(216)
Class of 08	0	0	12	(12)
Start up cash paid out	(480)	1,300	1,020	(200)
Annuals	(950)	2,821	3,246	(1,375)
H.S. Faculty	8,572	989	9,345	216
Cheerleaders-fb	2,195	2,041	2,640	1,596
Student activities	3,117	4,613	6,743	987
Vocal	(4)	580	600	(24)
Vi teens	3,247	500	1,663	2,084
Cash back	0	1,187	0	1,187
National honor society	618	1,017	1,117	518
Musical	1,858	1,000	502	2,356
Cheerleaders-BB	6,669	2,309	8,091	887
Cheerleaders-wrestling	994	1,548	1,439	1,103
Volleyball Camp	407	0	0	407
Elementary activity	2,616	1,552	1,202	2,966
Elementary faculty	514	746	991	269
Concessions	920	4,000	2,587	2,333
Sport supplies	(5,046)	0	0	(5,046)
Interest-MS	1,352	57	0	1,409
Padlock	185	105	80	210
Leadership	415	0	0	415
Cheerleader	11,879	485	0	12,364
Pop	(4,966)	142	920	(5,744)
History day	533	0	0	533
Student	5,432	0	0	5,432
Middle school	632	1,059	0	1,691
Ice cream	6,178	0	0	6,178
Total	<u>\$ 31,483</u>	<u>134,261</u>	<u>133,505</u>	<u>32,239</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS
 JUNE 30, 2005

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 16,278	263,005	180,201	15,000	474,484
TOTAL ASSETS	16,278	263,005	180,201	15,000	474,484
LIABILITIES	0	0	0	0	0
NET ASSETS					
Reserved for scholarships	15,000	256,124	175,721	15,000	461,845
Unreserved	1,278	6,881	4,480	0	12,639
TOTAL NET ASSETS	\$ 16,278	263,005	180,201	15,000	474,484

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY NET ASSETS
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2005

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ADDITIONS:					
Local sources:					
Interest income	\$ 1,280	13,949	5,237	0	20,466
Donations	0	0	0	15,000	15,000
	<u>1,280</u>	<u>13,949</u>	<u>5,237</u>	<u>15,000</u>	<u>35,466</u>
DEDUCTIONS:					
Support services:					
Scholarship awarded	1,280	14,000	16,000	0	31,280
	<u>1,280</u>	<u>14,000</u>	<u>16,000</u>	<u>0</u>	<u>31,280</u>
Change in net assets	0	(51)	(10,763)	0	4,186
Net assets beginning of year	16,278	263,056	190,964	0	470,298
	<u>16,278</u>	<u>263,056</u>	<u>190,964</u>	<u>0</u>	<u>470,298</u>
Net assets end of year	\$ 16,278	263,005	180,201	15,000	474,484
	<u>\$ 16,278</u>	<u>263,005</u>	<u>180,201</u>	<u>15,000</u>	<u>474,484</u>

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,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,312,212	2,461,106	2,540,892	2,139,244
Tuition	84,692	83,747	67,769	107,844
Other	236,359	230,003	226,864	242,844
State sources	2,862,093	2,708,583	2,588,837	2,593,164
Federal sources	234,908	133,895	186,654	95,574
Total	<u>\$ 5,730,264</u>	<u>5,617,334</u>	<u>5,611,016</u>	<u>5,178,670</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,746,076	2,282,332	2,016,255	1,988,751
Special instruction	864,153	781,836	637,793	602,414
Other instruction	441,090	513,802	514,891	528,885
Support services:				
Student services	124,686	140,717	175,344	84,385
Instructional staff services	96,833	126,586	134,850	149,543
Administration services	560,376	585,361	532,109	579,751
Operation and maintenance of plant services	418,645	334,336	436,326	444,833
Transportation services	194,346	266,829	268,988	261,135
Other expenditures:				
Facilities acquisitions	128,925	219,353	96,151	38,495
AEA flow-through	184,761	186,724	197,699	198,784
Total	<u>\$ 5,759,891</u>	<u>5,437,876</u>	<u>5,010,406</u>	<u>4,876,976</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
A-H-S-T 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 A-H-S-T Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 20, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 opinions on the financial statements and not to provide an opinion 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 Part I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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-05 is a material weakness.

Compliance and Other Matters

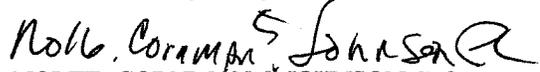
As part of obtaining reasonable assurance about whether A-H-S-T Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have 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 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, 2005 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.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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, CORNMÁN & JOHNSON, P.C.

October 20, 2005

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

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

REPORTABLE CONDITIONS:

I-A-05 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-05 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-C-05 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

Recommendation - Interest should be allocated out to various accounts.

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

Conclusion - Response accepted.

I-D-05 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 account 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-E-05 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, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 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, 2005.

Recommendation - The district should increase their depository limits.

Response - We will raise them in the future.

Conclusion - Response accepted.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

II-C-05 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-05 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-05 Business Transactions - No business transactions between the District and District officials were noted

II-F-05 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-05 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.

II-H-05 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-I-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-J-05 Deposits and Investments - We noted during our audit an instance 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. The District had funds donated for the Koos Scholarship invested in mutual fund holdings with U.S. Bancorp.

Recommendation - The District should remove the funds from this account and deposit the funds into an investment that is allowable by Chapter 12B and Chapter 12C of the Code of Iowa.

Response - We have implemented this change.

Conclusion - Response accepted.

II-K-05 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-L-05 Financial Condition - The District had several accounts with deficit balances in the Student Activity Fund as of June 30, 2005. The amount of negative balance accounts totaled \$28,749. The negative balances combined with positive accounts at June 30, 2005 equals \$32,239.

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.