

A-H-S-T COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

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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 2008 Election)		
John Pattee	President	2008
Mark Schroder	Vice President	2008
Darlene McMartin	Board Member	2008
Greg Becker	Board Member	2009
Laurie Fell	Board Member	2009
Monte Riesgaard	Board Member	2010
Allen Cordes	Board Member	2010
Board of Education (After September 2008 Election)		
Allen Cordes	President	2011 *
Monte Riesgaard	Vice President	2011 *
Alan Sieh	Board Member	2011
Bernadette Hatch	Board Member	2011
Kathy Allen	Board Member	2009
Greg Becker	Board Member	2009
Laurie Fell	Board Member	2009
School Officials		
Mike Alexander	Superintendent	2009
Nancy Collins	District Secretary/Treasurer and Business Manager	2009
Brian Gruhn	Attorney	2009
Hanson, Sulhoff & Larson	Attorney	2009

* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
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, 2009, 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, 2009, 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 March 24, 2010 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 36 through 37 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 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 the five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

March 24, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,994,377 in fiscal 2008 to \$5,710,372 in fiscal 2009, while General Fund expenditures increased from \$5,570,400 in fiscal 2008 to \$5,638,642 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$779,953 in fiscal 2008 to a balance of \$851,683 in fiscal 2009, a 9.20% increase from the prior year.
- The decrease in General Fund revenues was attributable primarily to a decrease in state revenues in fiscal 2009. The increase in expenditures was due primarily to slight increases in expenditures in the instruction and support services functions.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased slightly from 12.3% for fiscal year 2008 to 12.2% for fiscal year 2009. Although the District's solvency ratio decreased, it is still above what the State School Budget Review Committee recommends of a solvency ratio between 5% and 10%.

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. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

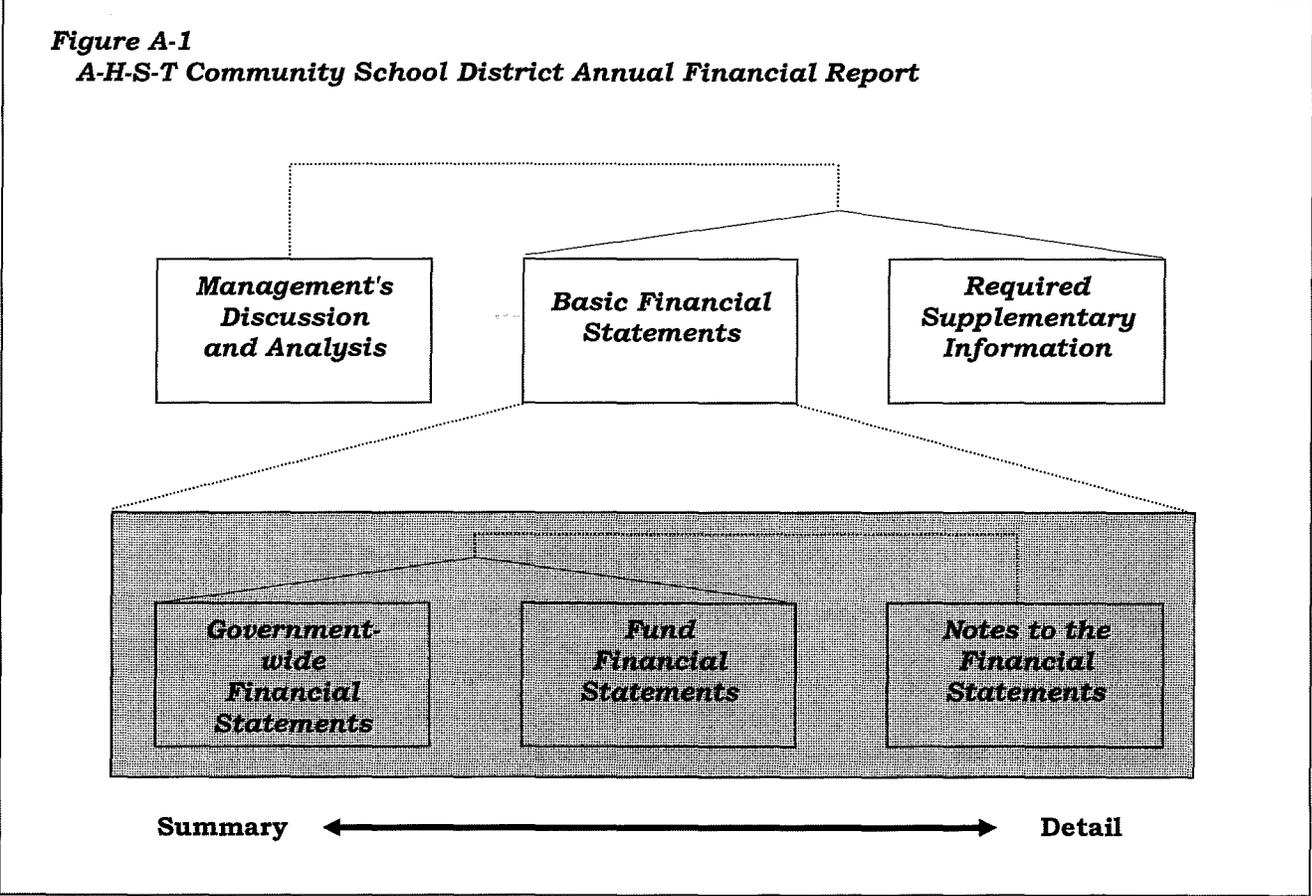


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 two Enterprise Funds, the School Nutrition Fund and the Child Care 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 at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 8,594,427	12,236,238	87,972	92,292	8,682,399	12,328,530	-29.57%
Capital assets	8,338,270	3,388,170	110,488	47,828	8,448,758	3,435,998	145.89%
Total assets	16,932,697	15,624,408	198,460	140,120	17,131,157	15,764,528	8.67%
Long-term obligations	6,963,284	7,074,093	0	0	6,963,284	7,074,093	-1.57%
Other liabilities	4,827,867	4,359,146	68,508	3,137	4,896,375	4,362,283	12.24%
Total liabilities	11,791,151	11,433,239	68,508	3,137	11,859,659	11,436,376	3.70%
Net assets:							
Invested in capital assets, net of related debt	2,694,517	2,337,342	110,488	47,828	2,805,005	2,385,170	17.60%
Restricted	1,638,515	1,085,337	0	0	1,638,515	1,085,337	50.97%
Unrestricted	808,514	768,490	19,464	89,155	827,978	857,645	-3.46%
Total net assets	\$ 5,141,546	4,191,169	129,952	136,983	5,271,498	4,328,152	21.80%

The District's combined net assets increased by \$943,346, or 21.80% 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 by \$553,178, or 50.97%. The increase in restricted net assets is a result of an increase of \$113,067 in reserves for state categorical funding and an increase in fund balance for the Debt Service Fund as a result of transfers made from the Capital Projects Fund for the revenue bond payment that is due on July 1st.

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 by \$29,667, or 3.46%. This decrease in unrestricted net assets is due primarily to the increase in restricted net assets during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 336,621	346,153	138,290	135,371	474,911	481,524	-1.37%
Operating grants and contributions and restricted interest	924,911	862,481	109,721	104,262	1,034,632	966,743	7.02%
Capital grants and contributions and restricted interest	450,000	0	0	0	450,000	0	100.00%
General revenues:							
Property tax	2,734,601	2,194,249	0	0	2,734,601	2,194,249	24.63%
Income surtax	213,010	129,119	0	0	213,010	129,119	64.97%
Statewide sales and service tax	482,237	465,260	0	0	482,237	465,260	3.65%
Unrestricted state grants	2,227,874	2,695,733	0	0	2,227,874	2,695,733	-17.36%
Other	288,973	344,241	45	0	289,018	344,241	-16.04%
Total revenues	7,658,227	7,037,236	248,056	239,633	7,906,283	7,276,869	8.65%
Program expenses:							
Governmental activities:							
Instruction	4,170,755	4,100,232	0	0	4,170,755	4,100,232	1.72%
Support services	1,757,221	1,638,345	755	2,471	1,757,976	1,640,816	7.14%
Non-instructional programs	0	0	254,332	222,653	254,332	222,653	14.23%
Other expenses	779,874	412,605	0	0	779,874	412,605	89.01%
Total expenses	6,707,850	6,151,182	255,087	225,124	6,962,937	6,376,306	9.20%
Change in net assets	950,377	886,054	(7,031)	14,509	943,346	900,563	-4.75%
Net assets beginning of year	4,191,169	3,305,115	136,983	122,474	4,328,152	3,427,589	26.27%
Net assets end of year	\$ 5,141,546	4,191,169	129,952	136,983	5,271,498	4,328,152	21.80%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 73.88% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.98% of the revenue from business type activities.

The District's total revenues were approximately \$7.91 million of which \$7.66 million was for governmental activities and \$0.25 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.65% increase in revenues and a 9.2% increase in expenses. The increase in expenses related primarily to an increase in facilities acquisitions expenditures.

Governmental Activities

Revenues for governmental activities were \$7,658,227 and expenses were \$6,707,850. 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		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
	Instruction	\$ 4,170,755	4,100,232	1.72%	3,138,732	3,115,027
Support services	1,757,221	1,638,345	7.26%	1,757,221	1,638,345	7.26%
Other expenses	779,874	412,605	89.01%	100,365	189,176	-46.95%
Totals	\$ 6,707,850	6,151,182	9.05%	4,996,318	4,942,548	1.09%

- The cost financed by users of the District’s programs was \$336,621.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,374,911.
- The net cost of governmental activities was financed with \$2,734,601 in property tax, \$213,010 in income surtax, \$482,237 in statewide sales and services tax, \$2,227,874 in unrestricted state grants, \$202,867 in interest income and \$86,106 in other general revenues.

Business type Activities

Revenues of the District’s business type activities were \$248,056 and expenses were \$255,087. The District’s business type activity is the School Nutrition Fund and the Child Care 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 \$3,652,608, compared to last year’s ending fund balances of a \$7,844,501.

Governmental Fund Highlights

- The District’s improving General Fund financial position is the product of many factors. Although fund revenues declined as compared to the previous year, the General Fund was able to gain fund balance because fund revenues were still more than enough to offset the increase in fund expenditures.
- The Capital Projects fund balance decreased from \$6,538,733 in 2008, to \$1,819,351 in 2009 due to the nearing completion of the addition to the elementary building.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$137,480 at June 30, 2008 to \$139,544 at June 30, 2009, representing an increase of 1.50%.

The District's daycare completed its second year of operation. For the year ended June 30, 2009, the fund ended decreased to a deficit balance of \$9,592 as compared to a deficit fund balance of \$497 for the year ended June 30, 2008.

BUDGETARY HIGHLIGHTS

The District's revenues were \$383,537 more than budgeted revenues, a variance of 5.10%. The most significant variance resulted from the District receiving more in intermediate and federal sources than originally anticipated.

Total expenditures were more 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, 2009, the District had invested \$8,448,758, 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 145.89% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$196,648.

The original cost of the District's capital assets was \$10,766,515. Governmental funds account for \$10,485,312 with the remainder of \$281,203 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,383,393 at June 30, 2008, compared to \$6,644,875 reported at June 30, 2009. This increase resulted from the continuing construction of the elementary addition.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 170,113	150,113	0	0	170,113	150,113	13.32%
Construction in progress	6,644,875	1,383,393	0	0	6,644,875	1,383,393	380.33%
Buildings	677,592	907,894	0	0	677,592	907,894	-25.37%
Land improvements	597,981	544,135	0	0	597,981	544,135	9.90%
Machinery and equipment	247,709	402,635	110,488	47,828	358,197	450,463	-20.48%
Total	\$ 8,338,270	3,388,170	110,488	47,828	8,448,758	3,435,998	145.89%

Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$6,963,284 in other long-term debt outstanding. This represents an decrease of 1.57% 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.

The District had outstanding general obligation bonds of \$5,340,000 at June 30, 2009.

The District also had outstanding revenue bonds of \$1,575,000 at June 30, 2009. The first scheduled repayment of principal and interest will occur in July 2009.

The District had outstanding early retirement payable from the General and Special Revenue, Management Funds of \$48,284 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 5,340,000	5,420,000	-1.48%
Revenue bonds	1,575,000	1,575,000	0.00%
Early retirement	48,284	79,093	-38.95%
Total	<u>\$ 6,963,284</u>	<u>7,074,093</u>	<u>-1.57%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the South Tama County Community Schools employer benefit costs over the next three years.

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, 2009

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 706,004	0	706,004
Other	4,493,095	87,359	4,580,454
Receivables:			
Property tax:			
Delinquent	32,687	0	32,687
Succeeding year	3,021,586	0	3,021,586
Income surtax	160,950	0	160,950
Interfund	5,200	0	5,200
Accounts	15,636	0	15,636
Accrued ISCAP interest	87	0	87
Due from other governments	159,182	0	159,182
Inventories	0	613	613
Capital assets, net of accumulated depreciation	8,338,270	110,488	8,448,758
TOTAL ASSETS	16,932,697	198,460	17,131,157
LIABILITIES			
Accounts payable	523,703	61,015	584,718
Salaries and benefits payable	445,125	4,526	449,651
Accrued interest payable	46,998	0	46,998
ISCAP warrants payable	695,000	0	695,000
ISCAP accrued interest payable	238	0	238
ISCAP premiums payable	13,454	0	13,454
Deferred revenue:			
Succeeding year property tax	3,021,586	0	3,021,586
Other	81,763	0	81,763
Unearned revenue	0	2,967	2,967
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	205,000	0	205,000
Revenue bonds payable	285,000	0	285,000
Early retirement	16,705	0	16,705
Portion due after one year:			
General obligation bonds payable	5,135,000	0	5,135,000
Revenue bonds payable	1,290,000	0	1,290,000
Early retirement	31,579	0	31,579
TOTAL LIABILITIES	11,791,151	68,508	11,859,659
NET ASSETS			
Invested in capital assets, net of related debt	2,694,517	110,488	2,805,005
Restricted for:			
Debt service	493,143	0	493,143
Categorical funding	157,121	0	157,121
Management levy	210,598	0	210,598
Physical plant and equipment levy	192,628	0	192,628
Capital projects	548,104	0	548,104
Other special revenue purposes	36,921	0	36,921
Unrestricted	808,514	19,464	827,978
TOTAL NET ASSETS	\$ 5,141,546	129,952	5,271,498

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Capital Grants,	Govern- mental Activities	Business Type Activities	Total
		for Services	and Restricted Interest	and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,870,201	129,386	664,352	0	(2,076,463)	0	(2,076,463)
Special	570,501	34,951	31,050	0	(504,500)	0	(504,500)
Other	730,053	172,284	0	0	(557,769)	0	(557,769)
	<u>4,170,755</u>	<u>336,621</u>	<u>695,402</u>	<u>0</u>	<u>(3,138,732)</u>	<u>0</u>	<u>(3,138,732)</u>
Support services:							
Student	36,805	0	0	0	(36,805)	0	(36,805)
Instructional staff	48,388	0	0	0	(48,388)	0	(48,388)
Administration	936,590	0	0	0	(936,590)	0	(936,590)
Operation and maintenance of plant	426,710	0	0	0	(426,710)	0	(426,710)
Transportation	308,728	0	0	0	(308,728)	0	(308,728)
	<u>1,757,221</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,757,221)</u>	<u>0</u>	<u>(1,757,221)</u>
Other expenditures:							
Facilities acquisitions	179,282	0	0	450,000	270,718	0	270,718
Long-term debt interest	277,110	0	0	0	(277,110)	0	(277,110)
AEA flowthrough	229,509	0	229,509	0	0	0	0
Depreciation(unallocated)*	93,973	0	0	0	(93,973)	0	(93,973)
	<u>779,874</u>	<u>0</u>	<u>229,509</u>	<u>450,000</u>	<u>(100,365)</u>	<u>0</u>	<u>(100,365)</u>
Total governmental activities	6,707,850	336,621	924,911	450,000	(4,996,318)	0	(4,996,318)
Business Type activities:							
Support services:							
Administration	375	0	0	0	0	(375)	(375)
Operation and maintenance of plant	380	0	0	0	0	(380)	(380)
	<u>755</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(755)</u>	<u>(755)</u>
Non-instructional programs:							
Nutrition services	232,742	128,984	106,532	0	0	2,774	2,774
Child care	21,590	9,306	3,189	0	0	(9,095)	(9,095)
	<u>254,332</u>	<u>138,290</u>	<u>109,721</u>	<u>0</u>	<u>0</u>	<u>(6,321)</u>	<u>(6,321)</u>
Total business type activities	255,087	138,290	109,721	0	0	(7,076)	(7,076)
Total	\$ 6,962,937	474,911	1,034,632	450,000	(4,996,318)	(7,076)	(5,003,394)
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,240,183	0	2,240,183
Capital outlay					66,746	0	66,746
Debt service					427,672	0	427,672
Income surtax					213,010	0	213,010
Statewide sales and service tax					482,237	0	482,237
Unrestricted state grants					2,227,874	0	2,227,874
Unrestricted investment earnings					202,867	0	202,867
Other general revenues					86,106	45	86,151
Total general revenues					<u>5,946,695</u>	<u>45</u>	<u>5,946,740</u>
Changes in net assets					950,377	(7,031)	943,346
Net assets beginning of year					4,191,169	136,983	4,328,152
Net assets end of year					<u>\$ 5,141,546</u>	<u>129,952</u>	<u>5,271,498</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP	\$ 706,004	0	0	706,004
Other	1,475,560	2,104,329	913,206	4,493,095
Receivables:				
Property tax:				
Delinquent	24,943	0	7,744	32,687
Succeeding year	2,016,110	0	1,005,476	3,021,586
Income surtax	160,950	0	0	160,950
Interfund	5,200	15,958	63,029	84,187
Accounts	15,636	0	0	15,636
ISCAP accrued interest	87	0	0	87
Due from other governments	71,777	87,405	0	159,182
TOTAL ASSETS	\$ 4,476,267	2,207,692	1,989,455	8,673,414
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 63,237	15,750	0	78,987
Accounts payable	148,707	372,591	2,405	523,703
Salaries and benefits payable	445,125	0	0	445,125
ISCAP warrants payable	695,000	0	0	695,000
ISCAP accrued interest payable	238	0	0	238
ISCAP premiums payable	13,454	0	0	13,454
Deferred revenue:				
Succeeding year property tax	2,016,110	0	1,005,476	3,021,586
Income surtax	160,950	0	0	160,950
Other	81,763	0	0	81,763
Total liabilities	3,624,584	388,341	1,007,881	5,020,806
Fund balances:				
Reserved for:				
Construction	0	1,271,247	0	1,271,247
Debt service	0	0	493,143	493,143
Categorical funding	157,121	0	0	157,121
Unreserved	694,562	548,104	488,431	1,731,097
Total fund balances	851,683	1,819,351	981,574	3,652,608
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,476,267	2,207,692	1,989,455	8,673,414

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, 2009

Total fund balances of governmental funds (page 15)	\$	3,652,608
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,338,270
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(46,998)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		160,950
Long-term liabilities, including general obligation bonds payable, revenue bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(6,963,284)</u>
Net assets of governmental activities (page 13)	\$	<u>5,141,546</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, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,279,139	482,237	668,472	3,429,848
Tuition	146,243	0	0	146,243
Other	132,189	163,638	183,524	479,351
Intermediate sources	47,652	0	0	47,652
State sources	2,948,365	0	0	2,948,365
Federal sources	156,768	450,000	0	606,768
Total revenues	<u>5,710,356</u>	<u>1,095,875</u>	<u>851,996</u>	<u>7,658,227</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,830,586	0	24,283	2,854,869
Special	563,240	0	0	563,240
Other	533,874	0	172,403	706,277
	<u>3,927,700</u>	<u>0</u>	<u>196,686</u>	<u>4,124,386</u>
Support services:				
Student services	36,337	0	0	36,337
Instructional staff	47,812	0	0	47,812
Administration	760,344	93,311	69,651	923,306
Operation and maintenance of plant	393,615	0	18,172	411,787
Transportation	243,325	0	22,923	266,248
	<u>1,481,433</u>	<u>93,311</u>	<u>110,746</u>	<u>1,685,490</u>
Other expenditures:				
Facilities acquisitions	0	5,378,198	83	5,378,281
Long-term debt:				
Principal	0	0	80,000	80,000
Interest and fiscal charges	0	0	358,471	358,471
AEA flowthrough	229,509	0	0	229,509
	<u>229,509</u>	<u>5,378,198</u>	<u>438,554</u>	<u>6,046,261</u>
Total expenditures	<u>5,638,642</u>	<u>5,471,509</u>	<u>745,986</u>	<u>11,856,137</u>
Excess(deficiency) of revenues over(under) expenditures	71,714	(4,375,634)	106,010	(4,197,910)
Other financing sources(uses):				
Transfer in	0	0	343,748	343,748
Transfer out	0	(343,748)	0	(343,748)
Sale of real property and equipment	16	0	6,001	6,017
Total other financing sources(uses)	<u>16</u>	<u>(343,748)</u>	<u>349,749</u>	<u>6,017</u>
Net change in fund balances	71,730	(4,719,382)	455,759	(4,191,893)
Fund balance beginning of year	779,953	6,538,733	525,815	7,844,501
Fund balance end of year	<u>\$ 851,683</u>	<u>1,819,351</u>	<u>981,574</u>	<u>3,652,608</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, 2009

Net change in fund balances - total governmental funds (page 17) \$ (4,191,893)

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

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

Capital outlays	\$ 5,412,201	
Depreciation expense	(186,265)	
Loss on disposal of capital assets	(275,836)	4,950,100

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 81,361

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	80,000
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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	30,809
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Changes in net assets of governmental activities (page 14) \$ 950,377

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	School Nutrition	Child Care	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 96,951	(9,592)	87,359
Inventories	613	0	613
Total current assets	<u>97,564</u>	<u>(9,592)</u>	<u>87,972</u>
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation	110,488	0	110,488
Total non-current assets	<u>110,488</u>	<u>0</u>	<u>110,488</u>
TOTAL ASSETS	<u>208,052</u>	<u>(9,592)</u>	<u>198,460</u>
LIABILITIES			
Current liabilities:			
Accounts payable	61,015	0	61,015
Salaries and benefits payable	4,526	0	4,526
Unearned revenue	2,967	0	2,967
Total current liabilities	<u>68,508</u>	<u>0</u>	<u>68,508</u>
TOTAL LIABILITIES	<u>68,508</u>	<u>0</u>	<u>68,508</u>
NET ASSETS			
Invested in capital assets	110,488	0	110,488
Unrestricted	29,056	(9,592)	19,464
TOTAL NET ASSETS	<u>\$ 139,544</u>	<u>(9,592)</u>	<u>129,952</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	School Nutrition	Child Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 128,984	9,306	138,290
Miscellaneous	45	0	45
TOTAL OPERATING REVENUES	<u>129,029</u>	<u>9,306</u>	<u>138,335</u>
OPERATING EXPENSES:			
Support services:			
Administration:			
Other	375	0	375
Operation and maintenance of plant:			
Services	380	0	380
Total support services	<u>755</u>	<u>0</u>	<u>755</u>
Non-instructional programs:			
Food service operations:			
Salaries	64,216	0	64,216
Benefits	8,996	0	8,996
Services	36	0	36
Supplies	144,187	0	144,187
Depreciation	10,383	0	10,383
Other	4,924	0	4,924
	<u>232,742</u>	<u>0</u>	<u>232,742</u>
Community service operations:			
Salaries	0	18,589	18,589
Benefits	0	1,867	1,867
Supplies	0	1,134	1,134
	<u>0</u>	<u>21,590</u>	<u>21,590</u>
Total non-instructional programs	<u>232,742</u>	<u>21,590</u>	<u>254,332</u>
TOTAL OPERATING EXPENSES	<u>233,497</u>	<u>21,590</u>	<u>255,087</u>
OPERATING LOSS	<u>(104,468)</u>	<u>(12,284)</u>	<u>(116,752)</u>
NON-OPERATING REVENUES:			
State sources	3,148	0	3,148
Federal sources	103,384	3,189	106,573
TOTAL NON-OPERATING REVENUES	<u>106,532</u>	<u>3,189</u>	<u>109,721</u>
Change in net assets	2,064	(9,095)	(7,031)
Net assets beginning of year	<u>137,480</u>	<u>(497)</u>	<u>136,983</u>
Net assets end of year	<u>\$ 139,544</u>	<u>(9,592)</u>	<u>129,952</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	School Nutrition	Child Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 129,007	0	129,007
Cash received from miscellaneous operating activities	45	9,306	9,351
Cash payments to employees for services	(68,686)	(20,456)	(89,142)
Cash payments to suppliers for goods or services	(76,746)	(1,327)	(78,073)
Net cash used in operating activities	<u>(16,380)</u>	<u>(12,477)</u>	<u>(28,857)</u>
Cash flows from non-capital financing activities:			
State grants received	3,148	0	3,148
Federal grants received	92,052	5,469	97,521
Net cash provided by non-capital financing activities	<u>95,200</u>	<u>5,469</u>	<u>100,669</u>
Cash flows from capital financing activities:			
Acquisition of capital assets	<u>(73,043)</u>	0	<u>(73,043)</u>
Net increase(decrease) in cash and cash equivalents	5,777	(7,008)	(1,231)
Cash and cash equivalents at beginning of year	91,174	(2,584)	88,590
Cash and cash equivalents at end of year	<u>\$ 96,951</u>	<u>(9,592)</u>	<u>87,359</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (104,468)	(12,284)	(116,752)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	11,332	0	11,332
Depreciation	10,383	0	10,383
Decrease in inventories	809	0	809
Increase(decrease) in accounts payable	61,015	(193)	60,822
Increase in salaries and benefits payable	4,526	0	4,526
Increase in unearned revenue	23	0	23
Net cash used in operating activities	<u>\$ (16,380)</u>	<u>(12,477)</u>	<u>(28,857)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received
Federal commodities valued at \$11,332.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2009

	Private Purpose Trust Scholarships
ASSETS	
Cash and pooled investments	\$ 476,767
LIABILITIES	
Interfund payable	5,200
NET ASSETS	
Reserved for scholarships	\$ 471,567

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, 2009

	<u>Private Purpose Trust Scholarships</u>
Additions:	
Local sources:	
Interest income	\$ 14,311
Deductions:	
Non-instructional programs:	
Scholarship awarded	<u>14,300</u>
Change in net assets	11
Net assets beginning of year	<u>471,556</u>
Net assets end of year	<u>\$ 471,567</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

(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. The amount of any unused bond proceeds for construction projects are added back to arrive at the final invested in capital assets number.

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 Child Care Fund is used to account for the day care 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 Balances

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

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

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, 2007 assessed property valuations; is for the tax

accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009 balances of interfund accounts receivable or payable have been recorded.

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

Capital assets are depreciated using the straight line method 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.

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

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

Fund Balance - 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, 2009 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.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 1,874,295

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Bonds are stated at fair value. Bonds traded on a national or international exchange are valued the last reported sales price at current exchange rates.

At June 30, 2009, the District had investments in U.S. Treasury Bonds as follows:

	Fair Value
U.S. Treasury Bond	\$ 15,000

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue, Physical Plant and Equipment Levy	General	\$ 63,029
General	Private Purpose Trust	5,200
Capital Projects, Statewide Sales Tax	Capital Projects, Building Projects	15,750
Capital Projects, Statewide Sales Tax	General	208
Total		<u>\$ 84,187</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects Statewide Sales Tax	\$ 343,748

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) 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, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	6/25/09	6/23/10	\$ 706,004	87	695,000	238

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, 2009 was the following:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	300,000	300,000	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
2008-09A	3.500%	3.469%
2009-10A	2.500%	0.902%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 150,113	20,000	0	170,113
Construction in progress	1,383,393	5,261,482	0	6,644,875
Total capital assets not being depreciated	<u>1,533,506</u>	<u>5,281,482</u>	<u>0</u>	<u>6,814,988</u>
Capital assets being depreciated:				
Buildings	2,714,929	0	722,655	1,992,274
Land improvements	726,793	112,474	0	839,267
Machinery and equipment	1,601,786	18,245	781,248	838,783
Total capital assets being depreciated	<u>5,043,508</u>	<u>130,719</u>	<u>1,503,903</u>	<u>3,670,324</u>
Less accumulated depreciation for:				
Buildings	1,807,035	35,345	527,698	1,314,682
Land improvements	182,658	58,628	0	241,286
Machinery and equipment	1,199,151	92,292	700,369	591,074
Total accumulated depreciation	<u>3,188,844</u>	<u>186,265</u>	<u>1,228,067</u>	<u>2,147,042</u>
Total capital assets being depreciated, net	<u>1,854,664</u>	<u>(55,546)</u>	<u>275,836</u>	<u>1,523,282</u>
Governmental activities capital assets, net	<u>\$ 3,388,170</u>	<u>(55,546)</u>	<u>275,836</u>	<u>8,338,270</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 208,160	73,043	0	281,203
Less accumulated depreciation	160,332	10,383	0	170,715
Business type activities capital assets, net	<u>\$ 47,828</u>	<u>62,660</u>	<u>0</u>	<u>110,488</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 24,080
Other		14,671
Support services:		
Administration		1,381
Operation and maintenance of plant		9,614
Transportation		42,546
		<u>92,292</u>
Unallocated depreciation		<u>93,973</u>
Total governmental activities depreciation expense		<u>\$ 186,265</u>
Business type activities:		
Food services		<u>\$ 10,383</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,420,000	0	80,000	5,340,000	205,000
Revenue bonds	1,575,000	0	0	1,575,000	285,000
Early retirement	79,093	2,896	33,705	48,284	16,705
Total	\$ 7,074,093	2,896	113,705	6,963,284	506,705

General Obligation Bonds

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue December 3, 2007		
		Principal	Interest	Total
2010	4.00	% \$ 205,000	215,738	420,738
2011	4.00	210,000	207,537	417,537
2012	4.00	220,000	199,138	419,138
2013	4.00	230,000	190,337	420,337
2014	4.00	240,000	181,138	421,138
2015-2019	4.00	1,360,000	753,487	2,113,487
2020-2024	4.00-4.05	1,680,000	456,713	2,136,713
2025-2027	4.10-4.15	1,195,000	100,342	1,295,342
Total		\$ 5,340,000	2,304,430	7,644,430

Revenue Bonds

Details of the District's June 30, 2009 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue June 27, 2008		
		Principal	Interest	Total
2010	3.50	% \$ 285,000	53,053	338,053
2011	3.50	295,000	42,902	337,902
2012	3.50	305,000	32,403	337,403
2013	3.70	320,000	21,145	341,145
2014	3.90	110,000	13,080	123,080
2015-2019	4.00-4.30	260,000	28,492	288,492
Total		\$ 1,575,000	191,075	1,766,075

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$1,575,000 bonds issued in June 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are

payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 70.1% of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,766,075. For the current year, interest of \$29,665 was paid on the bonds and local option (statewide) sales and services tax revenues were \$482,237.

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, 2009, totaled \$33,705.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$194,223, \$181,675 and \$169,336 respectively, equal to the required contributions for each year.

(9) Risk Management

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.

(10) 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 \$229,509 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The Enterprise - Child Care Fund had deficit unrestricted net assets of \$9,592.

(12) Construction Commitment

The District has entered into contracts totaling \$7,210,821 for construction on the elementary school addition. As of June 30, 2009, costs of \$6,644,875 had been incurred against the contracts. The balance of \$565,946 remaining at June 30, 2009 will be paid as work on the project progresses.

(13) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Talented and gifted	\$ 51,444
Modified allowable growth for returning drop outs and drop out prevention	78,418
Salary improvement program	7,161
Market factor	3,301
Early childhood programs	460
Model core curriculum	8,964
Professional development	2,842
Market factor incentives	4,531
Total	<u>\$ 157,121</u>

(14) Other Postemployment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45.

REQUIRED SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental		Proprietary	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type	Total	Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 4,055,442	138,335	4,193,777	3,960,668	3,960,668	233,109
Intermediate sources	47,652	0	47,652	90,000	90,000	(42,348)
State sources	2,948,365	3,148	2,951,513	3,202,894	3,202,894	(251,381)
Federal sources	606,768	106,573	713,341	269,184	269,184	444,157
Total revenues	<u>7,658,227</u>	<u>248,056</u>	<u>7,906,283</u>	<u>7,522,746</u>	<u>7,522,746</u>	<u>383,537</u>
Expenditures/Expenses:						
Instruction	4,124,386	0	4,124,386	4,444,997	4,444,997	320,611
Support services	1,685,490	755	1,686,245	1,937,161	1,937,161	250,916
Non-instructional programs	0	254,332	254,332	356,449	356,449	102,117
Other expenditures	6,046,261	0	6,046,261	7,663,578	7,663,578	1,617,317
Total expenditures/expenses	<u>11,856,137</u>	<u>255,087</u>	<u>12,111,224</u>	<u>14,402,185</u>	<u>14,402,185</u>	<u>2,290,961</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(4,197,910)	(7,031)	(4,204,941)	(6,879,439)	(6,879,439)	2,674,498
Other financing sources, net	6,017	0	6,017	2,000	2,000	4,017
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(4,191,893)	(7,031)	(4,198,924)	(6,877,439)	(6,877,439)	2,678,515
Balance beginning of year	7,844,501	136,983	7,981,484	7,451,584	7,451,584	529,900
Balance end of year	<u>\$ 3,652,608</u>	<u>129,952</u>	<u>3,782,560</u>	<u>574,145</u>	<u>574,145</u>	<u>3,208,415</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

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

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

OTHER SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 259,065	37,042	128,837	424,944	488,262	913,206
Receivables:						
Property tax:						
Current year delinquent	2,101	0	762	2,863	4,881	7,744
Succeeding year	155,000	0	77,201	232,201	773,275	1,005,476
Interfund	0	0	63,029	63,029	0	63,029
TOTAL ASSETS	\$ 416,166	37,042	269,829	723,037	1,266,418	1,989,455
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,284	121	0	2,405	0	2,405
Deferred revenue:						
Succeeding year property tax	155,000	0	77,201	232,201	773,275	1,005,476
Total liabilities	157,284	121	77,201	234,606	773,275	1,007,881
Fund balances:						
Reserved for debt service	0	0	0	0	493,143	493,143
Unreserved	258,882	36,921	192,628	488,431	0	488,431
Total fund balances	258,882	36,921	192,628	488,431	493,143	981,574
TOTAL LIABILITIES AND FUND BALANCES	\$ 416,166	37,042	269,829	723,037	1,266,418	1,989,455

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, 2009

	Special Revenue Funds				Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment			
			Levy	Total		
REVENUES:						
Local sources:						
Local tax	\$ 174,054	0	66,746	240,800	427,672	668,472
Other	19,573	161,627	684	181,884	1,640	183,524
TOTAL REVENUES	193,627	161,627	67,430	422,684	429,312	851,996
EXPENDITURES:						
Current:						
Instruction:						
Regular	24,283	0	0	24,283	0	24,283
Other	0	172,403	0	172,403	0	172,403
Support services:						
Administration	69,651	0	0	69,651	0	69,651
Operation and maintenance of plant	18,172	0	0	18,172	0	18,172
Transportation	573	0	22,350	22,923	0	22,923
Other expenditures:						
Facilities acquisition	0	0	83	83	0	83
Long-term debt:						
Principal	0	0	0	0	80,000	80,000
Interest and fiscal charges	0	0	0	0	358,471	358,471
	0	0	83	83	438,471	438,554
TOTAL EXPENDITURES	112,679	172,403	22,433	307,515	438,471	745,986
Excess(deficiency) of revenues over(under) expenditures	80,948	(10,776)	44,997	115,169	(9,159)	106,010
Other financing sources:						
Sale of real property	0	0	6,001	6,001	0	6,001
Transfer in	0	0	0	0	343,748	343,748
Total other financing sources	0	0	6,001	6,001	343,748	349,749
Net change in fund balances	80,948	(10,776)	50,998	121,170	334,589	455,759
Fund balance beginning of year	177,934	47,697	141,630	367,261	158,554	525,815
Fund balance end of year	\$ 258,882	36,921	192,628	488,431	493,143	981,574

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, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Interest	\$ 0	0	0	10	10
Drama	1,759	0	0	0	1,759
Show choir	2,131	2,640	4,288	0	483
General athletics	(2,661)	7,958	3,084	(3,938)	(1,725)
Golf	(653)	0	117	0	(770)
Cheerleaders-fb	(1,268)	665	0	328	(275)
Boys basketball	1,722	8,084	12,617	0	(2,811)
Football	15,043	32,985	33,891	0	14,137
Baseball	3,610	9,102	10,872	0	1,840
Track/CC	(1,380)	5,470	7,598	0	(3,508)
Wrestling	(322)	1,593	4,094	0	(2,823)
Girls basketball	1,348	3,185	1,741	0	2,792
Volleyball	(551)	4,948	2,993	0	1,404
Softball	2,355	4,485	5,205	0	1,635
Annuals	(1,783)	3,898	5,685	0	(3,570)
FCCLA	515	18,436	18,580	0	371
H.S. Faculty	198	0	0	0	198
Drill team	51	1,061	298	0	814
National honor society	180	801	894	0	87
Class of 2007	122	0	0	0	122
Class of 2008	(2,520)	0	0	2,847	327
Class of 2009	5,495	65	5,275	0	285
Class of 2010	10	8,782	4,989	0	3,803
Class of 2012	0	175	0	0	175
Start up cash	50	0	50	0	0
H.S. student activities	8,261	9,325	15,044	0	2,542
Vocal	(23)	60	1,110	0	(1,073)
Musical	(49)	2,482	1,785	0	648
Cheerleaders-BB	7,675	7,274	7,450	0	7,499
Cheerleaders-wrestling	425	0	0	753	1,178
Trips	0	1,871	1,107	0	764
SWIHB	0	1,150	1,150	0	0
Elementary activity	5,282	19,414	17,782	0	6,914
Talent show	75	0	0	0	75
Concessions	2,600	5,718	4,704	0	3,614
Total	\$ 47,697	161,627	172,403	0	36,921

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2009

	Building Projects	Statewide Sales Tax	Total
ASSETS			
Cash and pooled investments	\$ 1,659,588	444,741	2,104,329
Receivables:			
Interfund	0	15,958	15,958
Due from other governments	0	87,405	87,405
TOTAL ASSETS	\$ 1,659,588	548,104	2,207,692
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund payable	\$ 15,750	0	15,750
Accounts payable	372,591	0	372,591
Total liabilities	388,341	0	388,341
Fund balances:			
Reserved for construction	1,271,247	0	1,271,247
Unreserved	0	548,104	548,104
Total fund balances	1,271,247	548,104	1,819,351
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,659,588	548,104	2,207,692

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009

	Building Projects	Statewide Sales Tax	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	482,237	482,237
Other	159,453	4,185	163,638
Federal sources	450,000	0	450,000
TOTAL REVENUES	609,453	486,422	1,095,875
EXPENDITURES:			
Current:			
Support services:			
Administration	88,653	4,658	93,311
Other expenditures:			
Facilities acquisitions	5,193,725	184,473	5,378,198
TOTAL EXPENDITURES	5,282,378	189,131	5,471,509
Excess(Deficiency) of revenues over(under) expenditures	(4,672,925)	297,291	(4,375,634)
Other financing uses:			
Transfer out	0	(343,748)	(343,748)
Net change in fund balances	(4,672,925)	(46,457)	(4,719,382)
Fund balance beginning of year	5,944,172	594,561	6,538,733
Fund balance end of year	<u>\$ 1,271,247</u>	<u>548,104</u>	<u>1,819,351</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, 2009

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 24,325	259,595	177,208	15,639	476,767
LIABILITIES					
Interfund payable	0	1,000	4,200	0	5,200
NET ASSETS					
Reserved for scholarships	\$ 24,325	258,595	173,008	15,639	471,567

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, 2009

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ADDITIONS:					
Local sources:					
Interest income	\$ 1,398	3,796	9,114	3	14,311
DEDUCTIONS:					
Non-instructional programs:					
Scholarship awarded	2,300	5,000	7,000	0	14,300
Changes in net assets	(902)	(1,204)	2,114	3	11
Net assets beginning of year	25,227	259,799	170,894	15,636	471,556
Net assets end of year	\$ 24,325	258,595	173,008	15,639	471,567

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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 3,429,848	2,828,866	2,611,869	2,440,846	2,312,212	2,461,106
Tuition	146,243	141,541	100,379	203,872	84,692	83,747
Other	479,351	548,853	264,582	363,391	236,359	230,003
Intermediate sources	47,652	106,027	87,490	59,357	0	0
State sources	2,948,365	3,285,084	3,171,235	3,028,117	2,862,093	2,708,583
Federal sources	606,768	167,103	149,123	174,196	234,908	133,895
Total	<u>\$ 7,658,227</u>	<u>7,077,474</u>	<u>6,384,678</u>	<u>6,269,779</u>	<u>5,730,264</u>	<u>5,617,334</u>
Expenditures:						
Instruction:						
Regular	\$ 2,854,869	2,764,700	2,777,279	2,891,637	2,746,076	2,282,332
Special	563,240	579,189	639,589	613,855	864,153	781,836
Other	706,277	778,041	647,404	687,457	441,090	513,802
Support services:						
Student	36,337	45,401	46,592	45,617	124,686	140,717
Instructional staff	47,812	93,585	92,229	82,881	96,833	126,586
Administration	923,306	685,141	575,076	586,907	560,376	585,361
Operation and maintenance of plant	411,787	460,509	460,189	597,196	418,645	334,336
Transportation	266,248	325,759	355,980	261,447	194,346	266,829
Non-instructional:						
Community service operations	0	0	0	154	0	0
Other expenditures:						
Facilities acquisitions	5,378,281	1,482,292	424,711	545,686	128,925	219,353
Long-term debt:						
Principal	80,000	63,029	0	0	0	0
Interest and fiscal charges	358,471	2,548	0	0	0	0
AEA flow-through	229,509	223,429	212,553	195,320	184,761	186,724
Total	<u>\$ 11,856,137</u>	<u>7,503,623</u>	<u>6,231,602</u>	<u>6,508,157</u>	<u>5,759,891</u>	<u>5,437,876</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 09	\$ 23,383
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	12,620
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	90,764
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 09	456
			<u>103,840</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0441-G	53,661
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0441-GC	7,273
			<u>60,934</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>1,265</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANT)	84.215	FY 06	<u>450,000</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	<u>32,154</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 09	<u>3,471</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (EVERY MOVE COUNTS)	84.027	FY 09	300
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 09	30,750
			<u>31,050</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>4,511</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
CHILD CARE MANDATORY AND MATCHING FUNDS			
OF THE CHILD CARE AND DEVELOPMENT FUND	93.596	FY 09	<u>2,733</u>
TOTAL			<u>\$ 713,341</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the A-H-S-T Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of A-H-S-T Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of A-H-S-T Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects A-H-S-T Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of A-H-S-T Community School District's financial statements that is more than inconsequential will not be prevented or detected by A-H-S-T Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by A-H-S-T Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

Compliance and Other Matters

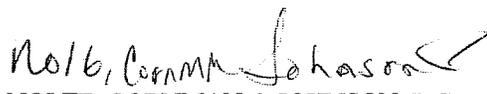
As part of obtaining reasonable assurance about whether A-H-S-T Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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, CORNMAN & JOHNSON, P.C.

March 24, 2010

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of A-H-S-T Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. A-H-S-T Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of A-H-S-T Community School District's management. Our responsibility is to express an opinion on A-H-S-T Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about A-H-S-T Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on A-H-S-T Community School District's compliance with those requirements.

In our opinion, A-H-S-T Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of A-H-S-T Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered A-H-S-T Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of A-H-S-T Community School District's internal control over compliance.

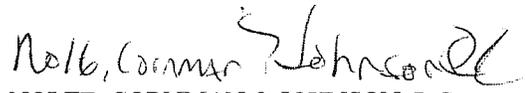
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined above. However, as discussed above, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

A-H-S-T Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit A-H-S-T Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2010

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Individual Programs:
 - CFDA Number 84.215 - Fund for the Improvement of Education (Iowa Demonstration Construction Grants)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) A-H-S-T Community School District did not qualify as a low-risk auditee.

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 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 listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize 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 - The District agrees with the recommendations to segregate as many duties as possible. The District will look at every opportunity to separate these duties when it will be cost effective.

Conclusion - Response accepted.

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

CFDA Number 84.215: Fund for the Improvement of Education (Iowa Demonstration
Construction Grants)

Federal Award Year: 2006

U.S. Department of Education

Passed through the Iowa Department of Education

SIGNIFICANT DEFICIENCIES:

III-A-09 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 listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize 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 - The District agrees with the recommendations to segregate as many duties as possible. The District will look at every opportunity to separate these duties when it will be cost effective.

Conclusion - Response accepted.

III-B-09 Davis Bacon Testing - We noted during our audit that prevailing wages were not being paid as required by the Davis Bacon Act.

Recommendation - The District should consult with the contractor in charge about the requirements of the Davis Bacon Act. In compliance with the Harkin (Iowa Demonstration Grant) grant, the District is responsible to ensure compliance with Davis Bacon requirements. Therefore, the District is responsible to ensure the prevailing wage has been or will be paid for work completed on this construction project. The District may also contact Gary Schwarz at the Iowa Department of Education to discuss the construction grant and Davis Bacon requirements.

Response - The District immediately contacted our contractor who then forwarded supporting documents to the auditor for review. The District will make the necessary adjustments to comply with Davis Bacon testing requirements.

Conclusion - Response acknowledged. The District is responsible to ensure the prevailing wage has been or will be paid for work completed on this construction project. The District should ensure required payments have been made to correct the deficiency.

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- IV-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.
- IV-B-09 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-09 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.

The District has policy 401.7 in effect for employee travel compensation. The policy states that employees traveling outside the district conducting district business will be reimbursed for actual and necessary pre-approved travel expenses. If the employee does not provide the District with detailed receipts, the expenses would become personal expenses not reimbursed by the district.

However, during our audit, we noted instances of employees being reimbursed by the district for meal and hotel expenses without providing detailed receipts.

Recommendation - The District should review policy 401.7 and require that all employees seeking reimbursement provide the district with detailed receipts. If a receipt is not available, the employee should provide the district with written documentation of the amount and nature of the expense before seeking reimbursement.

Response - The District agrees with the recommendation to monitor detailed receipts of those employees seeking to be reimbursed. If a receipt is not available, the District will ask for written documentation of the expense.

Conclusion - Response accepted.

- IV-D-09 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-09 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.
- IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students on Line 1 was overstated by 0.2 students and the number of open enrolled students on Line 2 was overstated by 1 student.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-09 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.

IV-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and service tax revenue			482,237
Interest			4,185
			<hr/>
Total statewide sales and service tax revenue			486,422
Expenditures/Transfers Out:			
School infrastructure:			
Land	\$	20,000	
Buildings		122,674	
Debt service for school infrastructure:			
Revenue debt		343,748	486,422
		<hr/>	<hr/>
Ending Balance		\$	0

IV-L-09 Check Signatures - We noted during our audit, instances of checks drawn on the Debt Service Fund that either had one signature or no signatures. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, according to Chapter 291.8 of the Code of Iowa, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - Even though most of our Debt Fund payments are directly pulled from ISJIT and the appropriate bank account, the District will review procedures to ensure that the appropriate signatures are on all checks.

Conclusion - Response accepted.

IV-M-09 Financial Condition - During our audit, we noted the Enterprise - Child Care Fund had deficit unrestricted net assets of \$9,592. We also noted during our audit eight deficit account balances in the Special Revenue, Student Activity Fund totaling \$16,555.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - The District will continue to monitor the Enterprise-Child Care Fund and make adjustments to avoid a negative balance. All Activity Fund accounts will be brought up to a zero balance by June 30th of each fiscal year.

Conclusion - Response accepted.

IV-N-09 Student Activity Funds - During our audit concerns arose about certain receipts/expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of areas of concern are the following:

There is a Class of 2007 and Class of 2008 account. Upon graduation old class accounts should be redistributed to other accounts within the Student Activity Fund or used as starting cash for future class accounts.

There are PSAT testing revenues and expenses recorded in the Student Activity Fund. These revenues and expenses appear to be instructional in nature and would be more appropriate in the General Fund.

Response - The District agrees with the recommendations and necessary adjustments will be made to comply.

Conclusion - Response accepted.