

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, 2010

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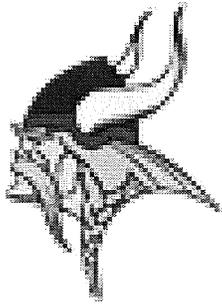
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A-H-S-T Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Allen Cordes	President	2011
Monte Riesgaard	Vice President	2011
Alan Sieh	Board Member	2011
Bernadette Hatch	Board Member	2009
Kelly Allen	Board Member	2009
Greg Becker	Board Member	2009
Laurie Fell	Board Member	2009
Board of Education (After September 2009 Election)		
Alan Sieh	President	2011
Bernadette Hatch	Vice President	2013
William Hardisty	Board Member	2013
Keith Holtz	Board Member	2013
Allen Cordes	Board Member	2011
Kelly Allen	Board Member	2013
Tony Denning	Board Member	2011*
School Officials		
Mike Alexander	Superintendent (Resigned 8/14/2009)	2010
Chuck Scott	Interim Superintendent	2010
Nancy Collins	District Secretary/Treasurer and Business Manager	2010
Brian Gruhn	Attorney	2010
Hanson, Sulhoff & Larson	Attorney	2010

* Elected for 2 years completing the Riesgaard term.



NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, 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, 2010, 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, 2010, 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 17, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have

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applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise 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 six years ended June 30, 2009 (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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,710,372 in fiscal 2009 to \$6,017,554 in fiscal 2010, while General Fund expenditures increased from \$5,638,642 in fiscal 2009 to \$6,121,959 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$851,683 in fiscal 2009 to a balance of \$747,278 in fiscal 2010, a 12.26% decrease from the prior year.
- The increase in General Fund revenues was attributable primarily to an increase in federal revenues in fiscal 2010. The increase in expenditures was due primarily to increases in instructional expenditures.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 12.2% for fiscal year 2009 to 8.37% for fiscal year 2010. Although the District's solvency ratio decreased, it is still in line with the State School Budget Review Committee recommendation 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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.

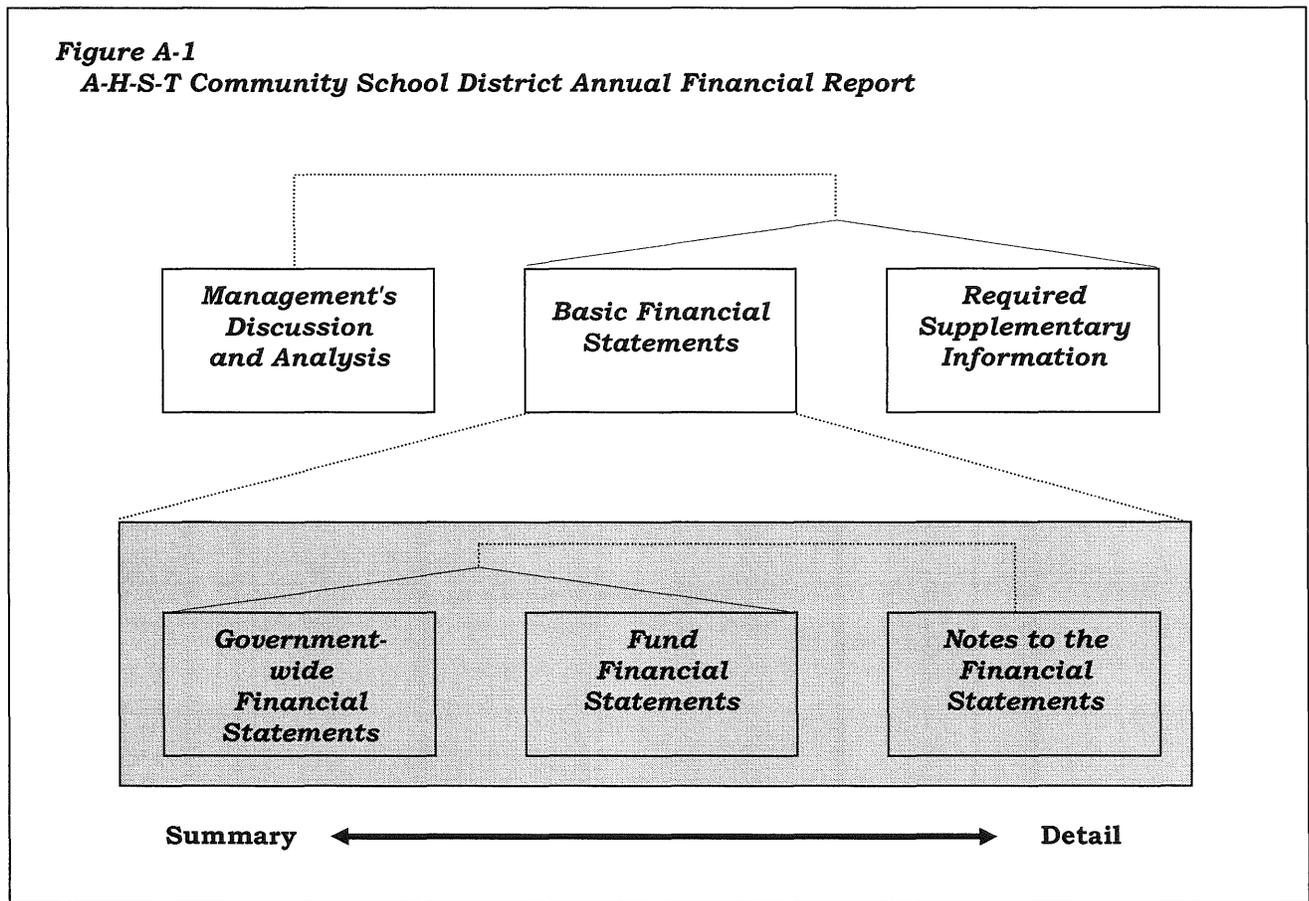


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 6,393,307	8,594,427	54,268	87,972	6,447,575	8,682,399	-25.74%
Capital assets	9,553,347	8,338,270	109,180	110,488	9,662,527	8,448,758	14.37%
Total assets	15,946,654	16,932,697	163,448	198,460	16,110,102	17,131,157	-5.96%
Long-term obligations	6,934,395	6,963,284	0	0	6,934,395	6,963,284	-0.41%
Other liabilities	3,833,203	4,827,867	9,031	68,508	3,842,234	4,896,375	-21.53%
Total liabilities	10,767,598	11,791,151	9,031	68,508	10,776,629	11,859,659	-9.13%
Net assets:							
Invested in capital assets, net of related debt	2,728,594	2,694,517	109,180	110,488	2,837,774	2,805,005	1.17%
Restricted	1,801,058	1,638,515	0	0	1,801,058	1,638,515	9.92%
Unrestricted	649,404	808,514	45,237	19,464	694,641	827,978	-16.10%
Total net assets	\$ 5,179,056	5,141,546	154,417	129,952	5,333,473	5,271,498	1.18%

The District's combined net assets increased by \$61,975, or 1.18% 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 \$162,543, or 9.92%. The increase in restricted net assets is a result of an increase of \$86,459 in reserves for state categorical funding and an increase in fund balance for the Management Fund.

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 \$133,337, or 16.10%. 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, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 327,264	336,621	144,878	138,290	472,142	474,911	-0.58%
Operating grants, contributions and restricted interest	1,265,514	924,911	125,518	109,721	1,391,032	1,034,632	34.45%
Capital grants, contributions and restricted interest	50,517	450,000	0	0	50,517	450,000	-88.77%
General revenues and transfers:							
Property tax	2,644,228	2,734,601	0	0	2,644,228	2,734,601	-3.30%
Income surtax	293,028	213,010	0	0	293,028	213,010	37.57%
Statewide sales, services and use tax	513,975	482,237	0	0	513,975	482,237	6.58%
Unrestricted state grants	2,150,734	2,227,874	0	0	2,150,734	2,227,874	-3.46%
Other general revenue	274,427	288,973	1,414	45	275,841	289,018	-4.56%
Transfers	(13,044)	0	13,044	0	0	0	0.00%
Total revenues	7,506,643	7,658,227	284,854	248,056	7,791,497	7,906,283	-1.45%
Program expenses:							
Governmental activities:							
Instruction	4,901,455	4,170,755	0	0	4,901,455	4,170,755	17.52%
Support services	1,736,394	1,757,221	5,092	755	1,741,486	1,757,976	-0.94%
Non-instructional programs	0	0	255,297	254,332	255,297	254,332	0.38%
Other expenses	831,284	779,874	0	0	831,284	779,874	6.59%
Total expenses	7,469,133	6,707,850	260,389	255,087	7,729,522	6,962,937	11.01%
Change in net assets	37,510	950,377	24,465	(7,031)	61,975	943,346	93.43%
Net assets beginning of year	5,141,546	4,191,169	129,952	136,983	5,271,498	4,328,152	21.80%
Net assets end of year	\$ 5,179,056	5,141,546	154,417	129,952	5,333,473	5,271,498	1.18%

In fiscal 2010, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 74.63% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 94.92% of the revenue from business type activities.

The District's total revenues were approximately \$7.79 million, of which approximately \$7.51 million was for governmental activities and \$0.28 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.45% decrease in revenues and an 11.01% increase in expenses. The increase in expenses related primarily to an increase in instructional expenditures.

Governmental Activities

Revenues for governmental activities were \$7,506,643 and expenses were \$7,469,133. 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, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 4,901,455	4,170,755	17.52%	3,570,628	3,138,732	13.76%
Support services	1,736,394	1,757,221	-1.19%	1,734,894	1,757,221	-1.27%
Other expenses	831,284	779,874	6.59%	520,316	100,365	418.42%
Totals	\$ 7,469,133	6,707,850	11.35%	5,825,838	4,996,318	16.60%

- The cost financed by users of the District's programs was \$327,264.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,316,031.
- The net cost of governmental activities was financed with \$2,644,228 in property tax, \$293,028 in income surtax, \$513,975 in statewide sales, services and use tax, \$2,150,734 in unrestricted state grants, \$15,903 in interest income and \$245,480 in other general revenues net of transfers.

Business type Activities

Revenues of the District's business type activities were \$284,854 and expenses were \$260,389. 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 \$2,388,667, compared to last year's ending fund balances of a \$3,652,608.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Although fund revenues increased slightly as compared to the previous year, the General Fund lost ground because fund expenditures increased at a higher rate.
- The Capital Projects fund balance decreased from \$1,819,351 in 2009, to \$622,204 in 2010 due primarily to expenses incurred in the completion of the addition to the elementary building.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$139,544 at June 30, 2009 to \$157,001 at June 30, 2010, representing an increase of 12.51%.

The District's daycare completed its third year of operation. For the year ended June 30, 2010, the fund improved to a deficit balance of \$2,584 as compared to a deficit fund balance of \$9,592 for the year ended June 30, 2009.

BUDGETARY HIGHLIGHTS

The District's revenues were \$577,721 less than budgeted revenues, a variance of 6.95%. The most significant variance resulted from the District receiving less from state sources than originally anticipated.

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.

In spite of the District's budgetary practice, the certified budget was exceeded in total, and more specifically in the instruction and other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$9,662,527, 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 14.37% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$331,922.

The original cost of the District's capital assets was \$12,266,742. Governmental funds account for \$11,985,521 with the remainder of \$281,221 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$677,592 at June 30, 2009, compared to \$8,226,753 reported at June 30, 2010. This increase resulted from the completion of the elementary addition.

Figure A-6

	Capital Assets, Net of Depreciation							
	Governmental		Business type		Total		Total	Change
	Activities		Activities		School District			
	June 30,		June 30,		June 30,		June 30,	
2010	2009	2010	2009	2010	2009	2009-10		
Land	\$ 301,028	170,113	0	0	301,028	170,113	76.96%	
Construction in progress	0	6,644,875	0	0	0	6,644,875	-100.00%	
Buildings	8,226,753	677,592	0	0	8,226,753	677,592	1114.12%	
Land improvements	841,952	597,981	0	0	841,952	597,981	40.80%	
Machinery and equipment	183,614	247,709	109,180	110,488	292,794	358,197	-18.26%	
Total	\$ 9,553,347	8,338,270	109,180	110,488	9,662,527	8,448,758	14.37%	

Long-Term Debt

At June 30, 2010, the District had long-term debt outstanding of \$6,934,395 in other long-term debt outstanding. This represents a decrease of 0.41% 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 \$5,135,000 at June 30, 2010.

The District also had outstanding revenue bonds of \$1,290,000 at June 30, 2010.

At June 30, 2010, the District had an outstanding lease obligation of \$405,661.

The District had outstanding early retirement payable from the General and Special Revenue, Management Funds of \$78,003 at June 30, 2010.

During its initial year of recording net OPEB liability in accordance with GASB Statement No. 45, the District disclosed a balance of \$25,731 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 5,135,000	5,340,000	-3.84%
Revenue bonds	1,290,000	1,575,000	-18.10%
Computer lease	405,661	0	100.00%
Early retirement	78,003	48,284	61.55%
Net OPEB liability	25,731	0	100.00%
Total	\$ 6,934,395	6,963,284	-0.41%

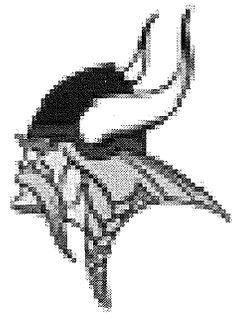
ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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 explore new sources of revenues. 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 A-H-S-T 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 Secretary/Treasurer and Business Manager, 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, 2010

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 2,868,082	53,925	2,922,007
Receivables:			
Property tax:			
Delinquent	35,674	0	35,674
Succeeding year	3,048,554	0	3,048,554
Income surtax	212,764	0	212,764
Accounts	5,224	0	5,224
Due from other governments	223,009	0	223,009
Inventories	0	343	343
Capital assets, net of accumulated depreciation	9,553,347	109,180	9,662,527
TOTAL ASSETS	15,946,654	163,448	16,110,102
LIABILITIES			
Accounts payable	150,650	0	150,650
Salaries and benefits payable	513,748	6,320	520,068
Accrued interest payable	41,327	0	41,327
Deferred revenue:			
Succeeding year property tax	3,048,554	0	3,048,554
Other	78,924	0	78,924
Unearned revenue	0	2,711	2,711
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	210,000	0	210,000
Revenue bonds payable	295,000	0	295,000
Computer lease	135,220	0	135,220
Early retirement	23,682	0	23,682
Portion due after one year:			
General obligation bonds payable	4,925,000	0	4,925,000
Revenue bonds payable	995,000	0	995,000
Computer lease	270,441	0	270,441
Early retirement	54,321	0	54,321
Net OPEB liability	25,731	0	25,731
TOTAL LIABILITIES	10,767,598	9,031	10,776,629
NET ASSETS			
Invested in capital assets, net of related debt	2,728,594	109,180	2,837,774
Restricted for:			
Debt service	483,499	0	483,499
Categorical funding	243,580	0	243,580
Management levy	268,338	0	268,338
Physical plant and equipment levy	149,380	0	149,380
Capital projects	616,296	0	616,296
Other special revenue purposes	39,965	0	39,965
Unrestricted	649,404	45,237	694,641
TOTAL NET ASSETS	\$ 5,179,056	154,417	5,333,473

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,528,724	129,288	842,367	0	(2,557,069)	0	(2,557,069)
Special	590,837	36,156	79,659	0	(475,022)	0	(475,022)
Other	781,894	161,820	81,537	0	(538,537)	0	(538,537)
	<u>4,901,455</u>	<u>327,264</u>	<u>1,003,563</u>	<u>0</u>	<u>(3,570,628)</u>	<u>0</u>	<u>(3,570,628)</u>
Support services:							
Student	29,896	0	0	0	(29,896)	0	(29,896)
Instructional staff	75,641	0	0	0	(75,641)	0	(75,641)
Administration	763,330	0	1,500	0	(761,830)	0	(761,830)
Operation and maintenance of plant	469,691	0	0	0	(469,691)	0	(469,691)
Transportation	397,836	0	0	0	(397,836)	0	(397,836)
	<u>1,736,394</u>	<u>0</u>	<u>1,500</u>	<u>0</u>	<u>(1,734,894)</u>	<u>0</u>	<u>(1,734,894)</u>
Other expenditures:							
Facilities acquisitions	77,601	0	0	50,517	(27,084)	0	(27,084)
Long-term debt interest	263,952	0	0	0	(263,952)	0	(263,952)
AEA flowthrough	260,451	0	260,451	0	0	0	0
Depreciation(unallocated)*	229,280	0	0	0	(229,280)	0	(229,280)
	<u>831,284</u>	<u>0</u>	<u>260,451</u>	<u>50,517</u>	<u>(520,316)</u>	<u>0</u>	<u>(520,316)</u>
Total governmental activities	7,469,133	327,264	1,265,514	50,517	(5,825,838)	0	(5,825,838)
Business Type activities:							
Support services:							
Administration	761	0	0	0	0	(761)	(761)
Operation and maintenance of plant	4,331	0	0	0	0	(4,331)	(4,331)
	<u>5,092</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,092)</u>	<u>(5,092)</u>
Non-instructional programs:							
Nutrition services	238,165	134,084	125,216	0	0	21,135	21,135
Child care	17,132	10,794	302	0	0	(6,036)	(6,036)
	<u>255,297</u>	<u>144,878</u>	<u>125,518</u>	<u>0</u>	<u>0</u>	<u>15,099</u>	<u>15,099</u>
Total business type activities	260,389	144,878	125,518	0	0	10,007	10,007
Total	\$ 7,729,522	472,142	1,391,032	50,517	(5,825,838)	10,007	(5,815,831)
General Revenues and Transfers:							
General revenues:							
Property tax levied for:							
General purposes					\$ 2,138,687	0	2,138,687
Capital outlay					77,024	0	77,024
Debt service					428,517	0	428,517
Income surtax					293,028	0	293,028
Statewide sales, services and use tax					513,975	0	513,975
Unrestricted state grants					2,150,734	0	2,150,734
Unrestricted investment earnings					15,903	0	15,903
Other general revenues					258,524	1,414	259,938
Transfers					(13,044)	13,044	0
Total general revenues and transfers					<u>5,863,348</u>	<u>14,458</u>	<u>5,877,806</u>
Changes in net assets					37,510	24,465	61,975
Net assets beginning of year					5,141,546	129,952	5,271,498
Net assets end of year					<u>\$ 5,179,056</u>	<u>154,417</u>	<u>5,333,473</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, 2010

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 1,362,419	494,583	478,396	532,684	2,868,082
Receivables:					
Property tax:					
Delinquent	27,511	0	5,103	3,060	35,674
Succeeding year	2,433,553	0	430,806	184,195	3,048,554
Income surtax	212,764	0	0	0	212,764
Interfund	0	208	0	0	208
Accounts	2,674	2,500	0	50	5,224
Due from other governments	93,755	129,254	0	0	223,009
TOTAL ASSETS	\$ 4,132,676	626,545	914,305	719,989	6,393,515
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 208	0	0	0	208
Accounts payable	146,309	4,341	0	0	150,650
Salaries and benefits payable	513,640	0	0	108	513,748
Deferred revenue:					
Succeeding year property tax	2,433,553	0	430,806	184,195	3,048,554
Income surtax	212,764	0	0	0	212,764
Other	78,924	0	0	0	78,924
Total liabilities	3,385,398	4,341	430,806	184,303	4,004,848
Fund balances:					
Reserved for:					
Construction	0	5,908	0	0	5,908
Debt service	0	0	483,499	0	483,499
Categorical funding	243,580	0	0	0	243,580
Unreserved	503,698	616,296	0	535,686	1,655,680
Total fund balances	747,278	622,204	483,499	535,686	2,388,667
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,132,676	626,545	914,305	719,989	6,393,515

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, 2010

Total fund balances of governmental funds (page 20)	\$	2,388,667
 <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.		9,553,347
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.		(41,327)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		212,764
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(6,934,395)</u>
Net assets of governmental activities (page 18)	\$	<u>5,179,056</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, 2010

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,225,330	513,975	428,517	231,595	3,399,417
Tuition	130,588	0	0	0	130,588
Other	97,773	208,111	500	165,193	471,577
Intermediate sources	38,994	0	0	0	38,994
State sources	2,795,711	0	0	0	2,795,711
Federal sources	581,586	50,000	0	0	631,586
Total revenues	<u>5,869,982</u>	<u>772,086</u>	<u>429,017</u>	<u>396,788</u>	<u>7,467,873</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,131,509	135,221	0	192,995	3,459,725
Special	591,934	0	0	0	591,934
Other	627,329	0	0	141,318	768,647
	<u>4,350,772</u>	<u>135,221</u>	<u>0</u>	<u>334,313</u>	<u>4,820,306</u>
Support services:					
Student services	29,952	0	0	0	29,952
Instructional staff	75,331	0	0	0	75,331
Administration	714,482	9,600	0	38,312	762,394
Operation and maintenance of plant	407,234	50,000	0	29,040	486,274
Transportation	270,693	0	0	85,596	356,289
	<u>1,497,692</u>	<u>59,600</u>	<u>0</u>	<u>152,948</u>	<u>1,710,240</u>
Other expenditures:					
Facilities acquisitions	0	1,588,671	0	332	1,589,003
Long-term debt:					
Principal	0	0	490,000	0	490,000
Interest and fiscal charges	0	0	269,623	0	269,623
AEA flowthrough	260,451	0	0	0	260,451
	<u>260,451</u>	<u>1,588,671</u>	<u>759,623</u>	<u>332</u>	<u>2,609,077</u>
Total expenditures	<u>6,108,915</u>	<u>1,783,492</u>	<u>759,623</u>	<u>487,593</u>	<u>9,139,623</u>
Excess(deficiency) of revenues over(under) expenditures	(238,933)	(1,011,406)	(330,606)	(90,805)	(1,671,750)
Other financing sources(uses):					
Transfer in	0	0	320,962	0	320,962
Transfer out	(13,044)	(320,962)	0	0	(334,006)
Sale of real property and equipment	12,352	0	0	2,840	15,192
Proceeds from lease	135,220	135,221	0	135,220	405,661
Total other financing sources(uses)	<u>134,528</u>	<u>(185,741)</u>	<u>320,962</u>	<u>138,060</u>	<u>407,809</u>
Net change in fund balances	(104,405)	(1,197,147)	(9,644)	47,255	(1,263,941)
Fund balance beginning of year	851,683	1,819,351	493,143	488,431	3,652,608
Fund balance end of year	<u>\$ 747,278</u>	<u>622,204</u>	<u>483,499</u>	<u>535,686</u>	<u>2,388,667</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, 2010

Net change in fund balances - total governmental funds (page 22) \$ (1,263,941)

*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	\$ 1,540,959	
Depreciation expense	(323,596)	
Loss on disposal of capital assets	<u>(2,286)</u>	1,215,077

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.

5,671

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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:

Issued	(405,661)	
Repaid	<u>490,000</u>	84,339

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

51,814

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	(29,719)	
Other postemployment benefits	<u>(25,731)</u>	<u>(55,450)</u>

Changes in net assets of governmental activities (page 19) \$ 37,510

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	School Nutrition	Child Care	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 56,509	(2,584)	53,925
Inventories	343	0	343
Total current assets	<u>56,852</u>	<u>(2,584)</u>	<u>54,268</u>
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation.	109,180	0	109,180
Total non-current assets	<u>109,180</u>	<u>0</u>	<u>109,180</u>
TOTAL ASSETS	<u>166,032</u>	<u>(2,584)</u>	<u>163,448</u>
LIABILITIES			
Current liabilities:			
Salaries and benefits payable	6,320	0	6,320
Unearned revenue	2,711	0	2,711
Total current liabilities	<u>9,031</u>	<u>0</u>	<u>9,031</u>
TOTAL LIABILITIES	<u>9,031</u>	<u>0</u>	<u>9,031</u>
NET ASSETS			
Invested in capital assets	109,180	0	109,180
Unrestricted	47,821	(2,584)	45,237
TOTAL NET ASSETS	<u>\$ 157,001</u>	<u>(2,584)</u>	<u>154,417</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, 2010

	School Nutrition	Child Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 134,084	10,794	144,878
Miscellaneous	1,414	0	1,414
TOTAL OPERATING REVENUES	<u>135,498</u>	<u>10,794</u>	<u>146,292</u>
OPERATING EXPENSES:			
Support services:			
Administration:			
Other	761	0	761
Operation and maintenance of plant:			
Services	4,331	0	4,331
Total support services	<u>5,092</u>	<u>0</u>	<u>5,092</u>
Non-instructional programs:			
Food service operations:			
Salaries	69,481	0	69,481
Benefits	9,952	0	9,952
Services	91	0	91
Supplies	148,335	0	148,335
Depreciation	8,326	0	8,326
Other	1,980	0	1,980
	<u>238,165</u>	<u>0</u>	<u>238,165</u>
Community service operations:			
Salaries	0	14,083	14,083
Benefits	0	1,331	1,331
Supplies	0	1,718	1,718
	<u>0</u>	<u>17,132</u>	<u>17,132</u>
Total non-instructional programs	<u>238,165</u>	<u>17,132</u>	<u>255,297</u>
TOTAL OPERATING EXPENSES	<u>243,257</u>	<u>17,132</u>	<u>260,389</u>
OPERATING LOSS	<u>(107,759)</u>	<u>(6,338)</u>	<u>(114,097)</u>
NON-OPERATING REVENUES:			
State sources	2,933	0	2,933
Federal sources	122,283	302	122,585
TOTAL NON-OPERATING REVENUES	<u>125,216</u>	<u>302</u>	<u>125,518</u>
Change in net assets before other financing sources	17,457	(6,036)	11,421
OTHER FINANCING SOURCES:			
Transfer in	0	13,044	13,044
Change in net assets	17,457	7,008	24,465
Net assets beginning of year	<u>139,544</u>	<u>(9,592)</u>	<u>129,952</u>
Net assets end of year	<u>\$ 157,001</u>	<u>(2,584)</u>	<u>154,417</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	Child Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 133,828	0	133,828
Cash received from miscellaneous operating activities	1,414	10,794	12,208
Cash payments to employees for services	(77,639)	(15,414)	(93,053)
Cash payments to suppliers for goods or services	(203,181)	(1,718)	(204,899)
Net cash used in operating activities	<u>(145,578)</u>	<u>(6,338)</u>	<u>(151,916)</u>
Cash flows from non-capital financing activities:			
State grants received	2,933	0	2,933
Federal grants received	109,221	302	109,523
Transfer in	0	13,044	13,044
Net cash provided by non-capital financing activities	<u>112,154</u>	<u>13,346</u>	<u>125,500</u>
Cash flows from capital financing activities:			
Acquisition of capital assets	<u>(7,018)</u>	0	<u>(7,018)</u>
Net increase(decrease) in cash and cash equivalents	(40,442)	7,008	(33,434)
Cash and cash equivalents at beginning of year	<u>96,951</u>	<u>(9,592)</u>	<u>87,359</u>
Cash and cash equivalents at end of year	<u>\$ 56,509</u>	<u>(2,584)</u>	<u>53,925</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (107,759)	(6,338)	(114,097)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	13,062	0	13,062
Depreciation	8,326	0	8,326
Decrease in inventories	270	0	270
Decrease in accounts payable	(61,015)	0	(61,015)
Increase in salaries and benefits payable	1,794	0	1,794
Decrease in unearned revenue	(256)	0	(256)
Net cash used in operating activities	<u>\$ (145,578)</u>	<u>(6,338)</u>	<u>(151,916)</u>

During the year ended June 30, 2010, the District received \$13,062 of federal commodities.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2010

	Private Purpose Trust Scholarships
ASSETS	
Cash and pooled investments	\$ 478,079
LIABILITIES	
Interfund payable	0
NET ASSETS	
Reserved for scholarships	\$ 478,079

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, 2010

	Private Purpose Trust Scholarships
Additions:	
Local sources:	
Interest income	\$ 13,988
Deductions:	
Non-instructional programs:	
Scholarship awarded	7,476
Change in net assets	6,512
Net assets beginning of year	471,567
Net assets end of year	\$ 478,079

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, 2010 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 and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
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
Intangibles	2 or more 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. During the year ended June 30, 2010, total District expenditures exceeded the amounts budgets. More specifically, expenditures in the instruction and other expenditures functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$322,551 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was 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, 2010, the District had investments in U.S. Treasury Bonds of \$15,000.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects, Statewide Sales Tax	General	\$ 208

(4) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects, Statewide Sales Tax	\$ 320,962
Child Care	General	13,044
Total		\$ 334,006

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. The warrant sizing

of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. 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. The interest rate on the Series 2009-10A warrants was 2.50%. A summary of the District's ISCAP activity for the year is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/09	6/23/10	\$ 0	500,000	500,000	0

During the year ended June 30, 2010, the district paid \$17,040 of interest on the ISCAP warrants.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 170,113	130,915	0	301,028
Construction in progress	6,644,875	1,094,417	7,739,292	0
Total capital assets not being depreciated	6,814,988	1,225,332	7,739,292	301,028
Capital assets being depreciated:				
Buildings	1,992,274	7,739,292	0	9,731,566
Land improvements	839,267	283,120	0	1,122,387
Machinery and equipment	838,783	32,507	40,750	830,540
Total capital assets being depreciated	3,670,324	8,054,919	40,750	11,684,493
Less accumulated depreciation for:				
Buildings	1,314,682	190,131	0	1,504,813
Land improvements	241,286	39,149	0	280,435
Machinery and equipment	591,074	94,316	38,464	646,926
Total accumulated depreciation	2,147,042	323,596	38,464	2,432,174
Total capital assets being depreciated, net	1,523,282	7,731,323	2,286	9,252,319
Governmental activities capital assets, net	\$ 8,338,270	7,731,323	2,286	9,553,347
Business type activities:				
Machinery and equipment	\$ 281,203	7,018	7,000	281,221
Less accumulated depreciation	170,715	8,326	7,000	172,041
Business type activities capital assets, net	\$ 110,488	(1,308)	0	109,180

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 22,152
Other		14,671
Support services:		
Administration		1,381
Operation and maintenance of plant		15,852
Transportation		40,260
		<u>94,316</u>
Unallocated depreciation		<u>229,280</u>
Total governmental activities depreciation expense		<u>\$ 323,596</u>
Business type activities:		
Food services		<u>\$ 8,326</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,340,000	0	205,000	5,135,000	210,000
Revenue bonds	1,575,000	0	285,000	1,290,000	295,000
Computer lease	0	405,661	0	405,661	135,220
Early retirement	48,284	45,000	15,281	78,003	23,682
Net OPEB liability	0	25,731	0	25,731	0
Total	<u>\$ 6,963,284</u>	<u>476,392</u>	<u>505,281</u>	<u>6,934,395</u>	<u>663,902</u>

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue December 3, 2007		
		Principal	Interest	Total
2011	4.000	% \$ 210,000	207,538	417,538
2012	4.000	220,000	199,137	419,137
2013	4.000	230,000	190,338	420,338
2014	4.000	240,000	181,137	421,137
2015	4.000	250,000	171,538	421,538
2016-2020	4.000	1,420,000	699,087	2,119,087
2021-2025	4.000-4.125	1,750,000	388,973	2,138,973
2026-2027	4.125-4.150	815,000	50,945	865,945
Total		<u>\$ 5,135,000</u>	<u>2,088,693</u>	<u>7,223,693</u>

Revenue Bonds

Details of the District's June 30, 2010 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue June 27, 2008		
		Principal	Interest	Total
2011	3.50	% \$ 295,000	42,903	337,903
2012	3.50	305,000	32,402	337,402
2013	3.70	320,000	21,145	341,145
2014	3.90	110,000	13,080	123,080
2015	4.00	50,000	9,935	59,935
2016-2019	4.10-4.40	210,000	18,558	228,558
Total		<u>\$ 1,290,000</u>	<u>138,023</u>	<u>1,428,023</u>

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 \$1,428,023. For the current year, interest of \$53,052 was paid on the bonds and local option (statewide) sales and services tax revenues were \$513,975.

Computer Lease

During the year ended June 30, 2010, the District entered into a lease agreement for the purchase of computer equipment for the District's one-to-one laptop initiative. The lease will be paid from the General, Physical Plant and Equipment Levy, and Capital Projects Funds. Details of the District's June 30, 2010 computer lease indebtedness are as follows:

Year Ending June 30,	Computer Lease	
	Principal	
2011	\$	135,220
2012		135,220
2013		135,221
Total	<u>\$</u>	<u>405,661</u>

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, 2010, totaled \$15,281.

(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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$213,480, \$194,223 and \$181,675 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 56 active and 4 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 30,303
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>30,303</u>
Contributions made	<u>(4,572)</u>
Increase in net OPEB obligation	25,731
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 25,731</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$4,572 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$30,303	15.09%	\$25,731

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$280,360, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$280,360. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,574,815 and the ratio of the UAAL to covered payroll was 10.89%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$682 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) 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.

(11) 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 \$260,451 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Deficit Fund Balance

The Enterprise - Child Care Fund had deficit unrestricted net assets of \$2,584.

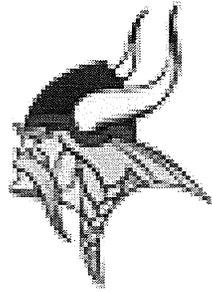
(13) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2010, expenditures in the instruction and other expenditures functional areas exceeded the amounts budgeted.

(14) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Home School Assistance Program	\$ 1,748
Gifted and Talented Program	59,183
Returning Dropouts and Dropout Prevention Programs	117,056
Four-year-old Preschool State Aid	14,147
Teacher Salary Supplement	29,711
Market Factor	3,301
Beginning Administrator Mentoring and Induction Program	750
Professional Development for Model Core Curriculum	17,201
Market Factor Incentives	483
Total	<u>\$ 243,580</u>



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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,001,582	146,292	4,147,874	4,216,616	4,216,616	(68,742)
Intermediate sources	38,994	0	38,994	90,400	90,400	(51,406)
State sources	2,795,711	2,933	2,798,644	3,572,388	3,572,388	(773,744)
Federal sources	631,586	122,585	754,171	438,000	438,000	316,171
Total revenues	<u>7,467,873</u>	<u>271,810</u>	<u>7,739,683</u>	<u>8,317,404</u>	<u>8,317,404</u>	<u>(577,721)</u>
Expenditures/Expenses:						
Instruction	4,820,306	0	4,820,306	4,560,992	4,560,992	(259,314)
Support services	1,710,240	5,092	1,715,332	2,239,000	2,239,000	523,668
Non-instructional programs	0	255,297	255,297	290,783	290,783	35,486
Other expenditures	2,609,077	0	2,609,077	2,040,505	2,040,505	(568,572)
Total expenditures/expenses	<u>9,139,623</u>	<u>260,389</u>	<u>9,400,012</u>	<u>9,131,280</u>	<u>9,131,280</u>	<u>(268,732)</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,671,750)	11,421	(1,660,329)	(813,876)	(813,876)	(846,453)
Other financing sources, net	407,809	13,044	420,853	2,000	2,000	418,853
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,263,941)	24,465	(1,239,476)	(811,876)	(811,876)	(427,600)
Balance beginning of year	3,652,608	129,952	3,782,560	1,957,504	1,957,504	1,825,056
Balance end of year	<u>\$ 2,388,667</u>	<u>154,417</u>	<u>2,543,084</u>	<u>1,145,628</u>	<u>1,145,628</u>	<u>1,397,456</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, 2010

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

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

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

During the year ended June 30, 2010, expenditures in the instruction and other expenditures functional areas exceeded the amounts budgeted.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 280,360	280,360	0.00%	\$ 2,574,815	10.89%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 344,256	39,965	148,463	532,684
Receivables:				
Property tax:				
Delinquent	2,143	0	917	3,060
Succeeding year	100,000	0	84,195	184,195
Accounts	50	0	0	50
TOTAL ASSETS	\$ 446,449	39,965	233,575	719,989
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and benefits payable	\$ 108	0	0	108
Deferred revenue:				
Succeeding year property tax	100,000	0	84,195	184,195
Total liabilities	100,108	0	84,195	184,303
Fund balances:				
Unreserved	346,341	39,965	149,380	535,686
Total fund balances	346,341	39,965	149,380	535,686
TOTAL LIABILITIES AND FUND BALANCES	\$ 446,449	39,965	233,575	719,989

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, 2010

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 154,571	0	77,024	231,595
Other	20,474	144,362	357	165,193
TOTAL REVENUES	<u>175,045</u>	<u>144,362</u>	<u>77,381</u>	<u>396,788</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	13,391	0	179,604	192,995
Other	0	141,318	0	141,318
Support services:				
Administration	38,312	0	0	38,312
Operation and maintenance of plant	29,040	0	0	29,040
Transportation	6,843	0	78,753	85,596
Other expenditures:				
Facilities acquisition	0	0	332	332
Long-term debt:				
Principal	0	0		0
	<u>0</u>	<u>0</u>	<u>332</u>	<u>332</u>
TOTAL EXPENDITURES	<u>87,586</u>	<u>141,318</u>	<u>258,689</u>	<u>487,593</u>
Excess(deficiency) of revenues over(under) expenditures	87,459	3,044	(181,308)	(90,805)
Other financing sources:				
Sale of real property	0	0	2,840	2,840
Proceeds from lease	0	0	135,220	135,220
Total other financing sources	<u>0</u>	<u>0</u>	<u>138,060</u>	<u>138,060</u>
Net change in fund balances	87,459	3,044	(43,248)	47,255
Fund balance beginning of year	<u>258,882</u>	<u>36,921</u>	<u>192,628</u>	<u>488,431</u>
Fund balance end of year	<u>\$ 346,341</u>	<u>39,965</u>	<u>149,380</u>	<u>535,686</u>

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, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Interest	\$ 10	0	0	0	10
Drama	1,759	0	0	0	1,759
Show choir	483	1,635	379	0	1,739
General athletics	(1,725)	4,271	2,871	0	(325)
Golf	(770)	5	1,159	0	(1,924)
Cheerleaders-fb	(275)	570	822	0	(527)
Boys basketball	(2,811)	16,794	15,284	0	(1,301)
Football	14,137	25,757	27,440	0	12,454
Baseball	1,840	6,203	4,896	0	3,147
Track/CC	(3,508)	3,108	6,532	0	(6,932)
Wrestling	(2,823)	440	1,955	0	(4,338)
Girls basketball	2,792	0	50	0	2,742
Volleyball	1,404	4,750	5,540	0	614
Softball	1,635	9,083	6,049	0	4,669
Annuals	(3,570)	3,812	4,073	0	(3,831)
FCCLA	371	14,382	12,100	0	2,653
H.S. Faculty	198	0	0	0	198
Drill team	814	420	354	(680)	200
National honor society	87	1,252	1,139	0	200
Class of 2007	122	0	0	(122)	0
Class of 2008	327	0	0	(498)	(171)
Class of 2009	285	0	0	0	285
Class of 2010	3,803	140	2,529	0	1,414
Class of 2011	0	6,571	4,014	0	2,557
Class of 2012	175	0	0	0	175
H.S. student activities	2,542	2,559	4,059	620	1,662
Vocal	(1,073)	3,302	54	680	2,855
Musical	648	2,268	1,658	0	1,258
Cheerleaders-BB	7,499	8,498	6,606	0	9,391
Cheerleaders-wrestling	1,178	995	2,126	0	47
Trips	764	0	690	0	74
Elementary activity	6,914	23,058	23,331	0	6,641
Talent show	75	0	0	0	75
Concessions	3,614	4,489	5,608	0	2,495
Total	\$ 36,921	144,362	141,318	0	39,965

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2010

	Building Projects	Statewide Sales Tax	Total
ASSETS			
Cash and pooled investments	\$ 5,908	488,675	494,583
Receivables:			
Interfund	0	208	208
Accounts	0	2,500	2,500
Due from other governments	0	129,254	129,254
TOTAL ASSETS	\$ 5,908	620,637	626,545
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 0	4,341	4,341
Fund balances:			
Reserved for construction	5,908	0	5,908
Unreserved	0	616,296	616,296
Total fund balances	5,908	616,296	622,204
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,908	620,637	626,545

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, 2010

	Building Projects	Statewide Sales Tax	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	513,975	513,975
Other	136,382	71,729	208,111
Federal sources	50,000	0	50,000
TOTAL REVENUES	186,382	585,704	772,086
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	0	135,221	135,221
Support services:			
Administration	9,600	0	9,600
Operation and maintainance of plant	0	50,000	50,000
	9,600	50,000	59,600
Other expenditures:			
Facilities acquisitions	1,442,121	146,550	1,588,671
Long-term debt:			
Principal	0	45,073	45,073
	1,442,121	191,623	1,633,744
TOTAL EXPENDITURES	1,451,721	376,844	1,828,565
Excess(Deficiency) of revenues over(under) expenditures	(1,265,339)	208,860	(1,056,479)
Other financing sources(uses):			
Proceeds from lease	0	180,294	180,294
Transfer out	0	(320,962)	(320,962)
Total other financing sources(uses)	0	(140,668)	(140,668)
Net change in fund balances	(1,265,339)	68,192	(1,197,147)
Fund balance beginning of year	1,271,247	548,104	1,819,351
Fund balance end of year	\$ 5,908	616,296	622,204

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS
 JUNE 30, 2010

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 25,032	257,983	179,425	15,639	478,079
LIABILITIES					
	0	0	0	0	0
NET ASSETS					
Reserved for scholarships	\$ 25,032	257,983	179,425	15,639	478,079

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, 2010

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ADDITIONS:					
Local sources:					
Interest income	\$ 2,432	2,388	8,417	751	13,988
DEDUCTIONS:					
Non-instructional programs:					
Scholarship awarded	1,725	3,000	2,000	751	7,476
Changes in net assets	707	(612)	6,417	0	6,512
Net assets beginning of year	24,325	258,595	173,008	15,639	471,567
Net assets end of year	\$ 25,032	257,983	179,425	15,639	478,079

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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 3,399,417	3,429,848	2,828,866	2,611,869	2,440,846	2,312,212	2,461,106
Tuition	130,588	146,243	141,541	100,379	203,872	84,692	83,747
Other	471,577	479,351	548,853	264,582	363,391	236,359	230,003
Intermediate sources	38,994	47,652	106,027	87,490	59,357	0	0
State sources	2,795,711	2,948,365	3,285,084	3,171,235	3,028,117	2,862,093	2,708,583
Federal sources	631,586	606,768	167,103	149,123	174,196	234,908	133,895
Total	<u>\$ 7,467,873</u>	<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	\$ 3,459,725	2,854,869	2,764,700	2,777,279	2,891,637	2,746,076	2,282,332
Special	591,934	563,240	579,189	639,589	613,855	864,153	781,836
Other	768,647	706,277	778,041	647,404	687,457	441,090	513,802
Support services:							
Student	29,952	36,337	45,401	46,592	45,617	124,686	140,717
Instructional staff	75,331	47,812	93,585	92,229	82,881	96,833	126,586
Administration	762,394	923,306	685,141	575,076	586,907	560,376	585,361
Operation and maintenance of plant	486,274	411,787	460,509	460,189	597,196	418,645	334,336
Transportation	356,289	266,248	325,759	355,980	261,447	194,346	266,829
Non-instructional:							
Community service operations	0	0	0	0	154	0	0
Other expenditures:							
Facilities acquisitions	1,589,003	5,378,281	1,482,292	424,711	545,686	128,925	219,353
Long-term debt:							
Principal	490,000	80,000	63,029	0	0	0	0
Interest and fiscal charges	269,623	358,471	2,548	0	0	0	0
AEA flow-through	260,451	229,509	223,429	212,553	195,320	184,761	186,724
Total	<u>\$ 9,139,623</u>	<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, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 10	\$ 27,361
DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	FY 10	43
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	13,345
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	108,938 *
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 10	302
			<u>122,585</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	64,553
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	6,463
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	302
			<u>71,318</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	4,001
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	553
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	1,679
			<u>6,233</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 06	50,000
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 09	791
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	31,363
			<u>32,154</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 10	3,666
STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	52,274
STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	304,639
			<u>356,913</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 10	34,157
SPECIAL EDUCATION - GRANTS TO STATES, RECOVERY ACT	84.391	FY 09	18,472
SPECIAL EDUCATION - GRANTS TO STATES, RECOVERY ACT	84.391	FY 10	27,030
			<u>79,659</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	4,239
TOTAL			<u>\$ 754,171</u>

* - Includes \$13,062 of non-cash awards.

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

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 17, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned costs as item II-B-10 to be a significant deficiency.

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, 2010 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, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 17, 2011

NOLTE, CORNMAN & JOHNSON P.C.

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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, 2010. 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 on compliance in accordance with U.S. generally accepted accounting 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 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 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, and is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2011

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (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 programs were as follows:
 - CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - Special Milk Program for Children
- (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, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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.

II-B-10 Intangible Asset Policy - Although the District implemented Governmental Accounting Standards Board Statement No. 51 with regard to intangible assets, the District does not have a policy addressing capitalization of intangible assets.

Recommendation - The District's Board of Directors should adopt an intangible asset policy addressing the capitalization of intangible assets.

Response - The board will adopt an intangible asset policy addressing the capitalization of intangible assets as soon as normal protocol permits.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.556: Special Milk Program for Children
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394: State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
Federal Award Year: 2009-2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 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, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010, exceed the amounts budgeted in the instruction and other expenditures functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - In the future, we will amend our budget in accordance with Chapter 24.9 of the Code of Iowa before expenditures are allowed to exceed the budget.

Conclusion - Response accepted.

IV-B-10 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-10 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 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 - We will require employees to provide detailed receipts or written documentation before allowing reimbursement.

Conclusion - Response accepted.

IV-D-10 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Keith Holtz, Board Member Owns Holtz Service and Small Engine	supplies/services	\$ 6,099

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Mr. Holtz appears to represent a conflict of interest.

Recommendation - The District should contact legal counsel regarding the above related party transaction with the Board member to determine what, if any, corrective action is needed.

Response - Holtz Service & Small Engine is the only dealer in our school district and has been our vendor for many years. We were unaware that this was a conflict of interest. The District contacted Gruhn Law firm about this audit question: Mr. Gruhn will respond on this matter soon.

Conclusion - Response accepted.

- IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-10 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on a Certificate of Deposit.

Recommendation - The District should contact the appropriate bank and rectify the situation.

Response - The District will receive the required interest rates on future investments.

Conclusion - Response accepted.

- IV-J-10 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The District will work to certify the CAR by the certification date.

Conclusion - Response accepted.

- IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

- IV-L-10 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, 2010, 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			513,975
Expenditures/Transfers Out:			
School infrastructure:			
Buildings	\$	143,013	
Equipment		50,000	
Debt service for school infrastructure:			
Revenue debt		320,962	513,975
Ending Balance		\$	0

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical Plant and Equipment Levy	\$ 1.34000	\$ 313,481

IV-M-10 Financial Condition - During our audit, we noted the Enterprise - Child Care Fund had deficit unrestricted net assets of \$2,584. We also noted during our audit eight deficit account balances in the Special Revenue, Student Activity Fund totaling \$19,349.

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

Response - The District will work to eliminate the deficit account balances in the Enterprise-Child Care Fund and the Special Revenue-Student Activity Fund.

Conclusion - Response accepted.

IV-N-10 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - We will have the Board President sign all contracts entered into by the District.

Conclusion - Response accepted.

IV-O -10 Interfund Loans - We noted during our audit that the District has an interfund loan which was on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2010, the General Fund owes the Capital Projects, Statewide Sales Tax Fund \$208.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's yearend financial

statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should repay the interfund loan in order to comply with the declaratory ruling or issue anticipatory warrants to repay the interfund loans.

Response - We will make the correct physical transfer and also the entries to correct this past interfund loan in the 2010-2011 fiscal year.

Conclusion - Response accepted.