

AMES COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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Ames Community School District

Officials

Name	Title	Term Expires
Board of Education		
Mary Jurenka	President	2011
Dan Woodlin	Vice President	2011
Paul Soddors	Board Member	2011
Francis Todey	Board Member	2011
John Hascall	Board Member	2013
William Talbot	Board Member	2013
David Putz	Board Member	2013
School Officials		
Dr. Tim Taylor	Superintendent	2011
Karen Shimp	District Secretary/Treasurer and Chief Financial Officer	2011
Ahlers & Cooney, P.C.	Attorney	2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Ames 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 Ames Community School District, Ames, Iowa, as of and for the year ended June 30, 2011, 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 Ames Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2012 on our consideration of Ames 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, Schedule of Funding Progress for the Retiree Health Plan and Component Unit Financial Statements on pages 7 through 16 and 42 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ames 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

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statements for the nine years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

January 17, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Ames 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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Fiscal 2011 General Fund revenues exceeded expenses by \$4.4 million. This resulted in an increase in the fund balance from \$5.8 million to \$10.2 million. Revenues were \$50.6 million vs. \$48.0 million in fiscal 2010, and expenditures were \$46.2 million vs. \$46.0 million in fiscal 2010.
- The increase in General Fund revenues was attributable to an increase in local and state sources. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits. The reason the General Fund balance increased is because the increase in revenues was more than the increase in expenditures. As a result, the District's fund balance increased \$4,440,340.

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 Ames 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 Ames 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 Ames Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to 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 governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details 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-1
Ames Community School District Annual Financial Report

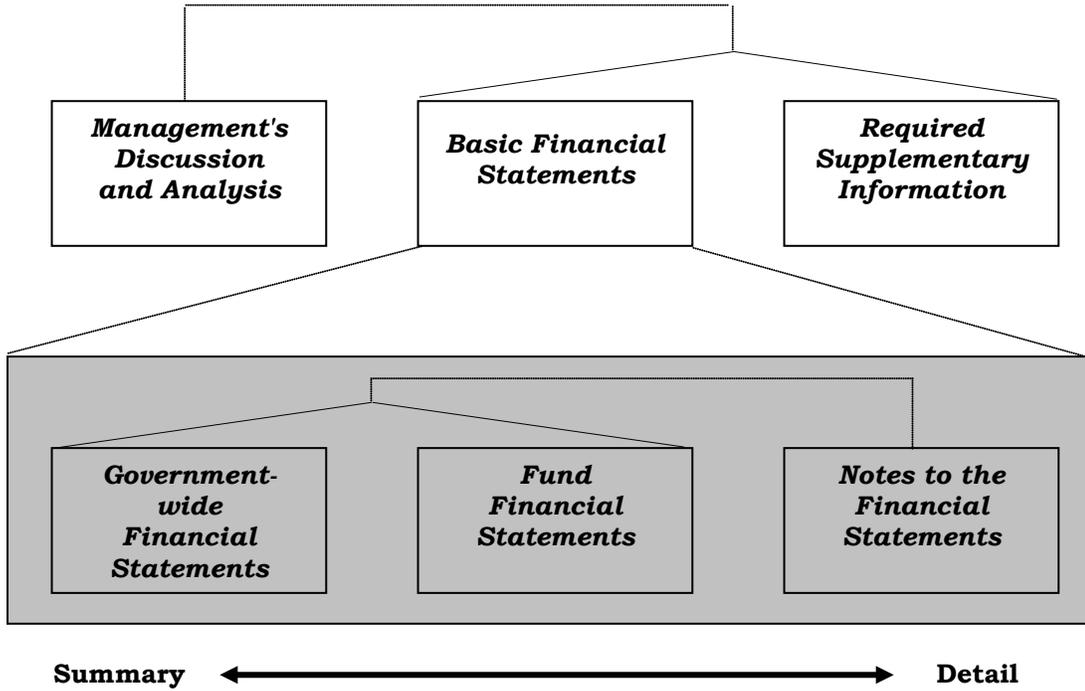


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, e.g., food services	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 net assets • Statement of revenues, expenses and changes in fund 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District's Internal Service Fund, one type of proprietary fund, is the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service funds, the Health Insurance Fund.

The required financial statements for the proprietary funds include a statement of net assets, 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. These funds include Agency funds.

- Agency Funds – These are funds through which the District administers and accounts for certain outside groups.

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.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 65,072,081	58,349,599	225,527	(812,591)	65,297,608	57,537,008	13.49%
Capital assets	56,289,001	56,402,210	497,763	576,105	56,786,764	56,978,315	-0.34%
Total assets	121,361,082	114,751,809	723,290	(236,486)	122,084,372	114,515,323	6.61%
Long-term liabilities	12,085,047	16,658,494	1,725	1,481	12,086,772	16,659,975	-27.45%
Other liabilities	38,159,317	37,014,023	41,804	57,026	38,201,121	37,071,049	3.05%
Total liabilities	50,244,364	53,672,517	43,529	58,507	50,287,893	53,731,024	-6.41%
Net assets:							
Invested in capital assets, net of related debt	45,755,101	42,207,773	497,763	576,105	46,252,864	42,783,878	8.11%
Restricted	10,938,216	8,623,345	-	-	10,938,216	8,623,345	26.84%
Unrestricted	14,423,401	10,248,174	181,998	(871,098)	14,605,399	9,377,076	55.76%
Total net assets	\$ 71,116,718	61,079,292	679,761	(294,993)	71,796,479	60,784,299	18.12%

The District's combined net assets increased by 18.12%, or \$11,012,180, 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 \$2,314,871, or 26.84% over the prior year. The increase was primarily a result the increase in Debt Service Fund balance.

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 – increased \$5,228,323, or 55.76%. This increase is due to the increase in fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 4,102,523	4,524,731	765,609	783,668	4,868,132	5,308,399	-8.29%
Operating grants and contributions and restricted interest	5,186,824	9,900,464	694,538	662,673	5,881,362	10,563,137	-44.32%
Capital grants and contributions and restricted interest	45,708	-	-	-	45,708	-	100.00%
General revenues:							
Property tax	29,513,187	26,377,664	-	-	29,513,187	26,377,664	11.89%
Income surtax	1,883,327	2,233,973	-	-	1,883,327	2,233,973	-15.70%
Statewide sales, services and use tax	4,356,731	4,004,506	-	-	4,356,731	4,004,506	8.80%
Unrestricted state grants	14,284,611	9,454,166	-	-	14,284,611	9,454,166	51.09%
Nonspecific program federal grants	512,334	-	-	-	512,334	-	100.00%
Unrestricted investment earnings	496,323	106,557	436	302	496,759	106,859	364.87%
Other	470,029	762,846	-	-	470,029	762,846	-38.38%
Transfer	(970,322)	-	970,322	-	-	-	-100.00%
Total revenues	59,881,275	57,364,907	2,430,905	1,446,643	62,312,180	58,811,550	5.95%
Program expenses:							
Governmental activities:							
Instruction	32,238,656	33,294,763	-	-	32,238,656	33,294,763	-3.17%
Support services	13,591,313	12,371,541	98,248	74,575	13,689,561	12,446,116	9.99%
Non-instructional programs	-	-	1,357,903	1,455,517	1,357,903	1,455,517	-6.71%
Other expenses	4,013,880	7,078,693	-	-	4,013,880	7,078,693	-43.30%
Total expenses	49,843,849	52,744,997	1,456,151	1,530,092	51,300,000	54,275,089	-5.48%
Changes in net assets	10,037,426	4,619,910	974,754	(83,449)	11,012,180	4,536,461	142.75%
Beginning Net Assets	61,079,292	56,459,382	(294,993)	(211,544)	60,784,299	56,247,838	8.07%
Ending Net Assets	\$ 71,116,718	61,079,292	679,761	(294,993)	71,796,479	60,784,299	18.12%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax, nonspecific program federal grants and unrestricted state grants account for 84.42% of the revenue from governmental activities while charges for service and seals and operating grants and contributions account for 60.07% of the revenue from business type activities.

The District's total revenues were \$62,312,180 of which \$59,881,275 was for governmental activities and \$2,430,905 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.95% increase in revenues and a 5.48% decrease in expenses. The decrease in expenses was primarily due to the decrease in negotiated salaries and benefits and other expenses.

Governmental Activities

Revenues for governmental activities were \$59,881,275 and expenses were \$49,843,849 for the year ended June 30, 2011.

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, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Service		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 32,238,656	33,294,763	-3.17%	24,883,083	20,707,306	20.17%
Support services	13,591,313	12,371,541	9.86%	13,293,188	12,160,980	9.31%
Other expenses	4,013,880	7,078,693	-43.30%	2,332,523	5,451,516	-57.21%
Totals	\$ 49,843,849	52,744,997	-5.50%	40,508,794	38,319,802	5.71%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$4,102,523.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$5,232,532.
- The net cost of governmental activities was financed with \$35,753,245 in local tax, \$14,284,611 in unrestricted state grants, \$512,334 in nonspecific program federal grants, \$496,323 in unrestricted investment earnings and \$(500,293) in other general revenues net of transfers.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2011 were \$2,430,905 and expenses were \$1,456,151. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Ames 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 balances of \$19,830,419, above last year's ending fund balances of \$14,469,449. However, the primary reason for the increase in the combined fund balances is the increase in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in state and federal sources resulted in an increase in revenues. The increase in revenues was greater than the increase General Fund expenditures, resulting in an increase in fund balance from \$5,796,545 to \$10,236,885.
- The Capital Projects Fund balance increased from \$2,306,770 to \$3,064,829, due primarily to the Physical Plant and Equipment Fund being classified as a Capital Projects Fund with the implementation of GASB Statement 54.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from a deficit \$294,993 at June 30, 2010 to \$679,761 at June 30, 2011, representing a 330.43% increase.

BUDGETARY HIGHLIGHTS

The District's revenues were \$2,549,464 less than budgeted revenues, a variance of 3.92%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$56.79 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.42% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,964,640.

The original cost of the District's capital assets was \$84,298,624. Governmental funds account for \$83,159,644 with the remainder of \$1,138,980 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$311,569 at June 30, 2011, compared to \$219,979 reported at June 30, 2010. This increase resulted primarily from construction projects that were started but not completed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 4,981,652	4,981,652	-	-	4,981,652	4,981,652	0.00%
Construction in progress	311,569	219,979	-	-	311,569	219,979	41.64%
Buildings	42,799,159	43,188,431	-	-	42,799,159	43,188,431	-0.90%
Land improvements	4,867,530	5,094,618	-	-	4,867,530	5,094,618	-4.46%
Machinery and equipment	3,329,091	2,917,530	497,763	576,105	3,826,854	3,493,635	9.54%
Total	\$ 56,289,001	56,402,210	497,763	576,105	56,786,764	56,978,315	-0.34%

Long-Term Debt

At June 30, 2011, the District had \$12,086,772 in total long-term debt outstanding. This represents a decrease of 27.45% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$1,120,000 at June 30, 2011.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$9,413,900 at June 30, 2011.

The District had outstanding early retirement payable from the Special Revenue, Management Fund of \$147,938 at June 30, 2011.

The District had outstanding termination benefits payable from the General Fund of \$9,539 at June 30, 2011.

The District had outstanding compensated absences payable from the General Fund of \$397,395 at June 30, 2011.

The District had a net OPEB liability of \$998,000 at June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 1,120,000	1,550,000	-	-	1,120,000	1,550,000	-27.74%
Revenue bonds	9,413,900	12,644,437	-	-	9,413,900	12,644,437	-25.55%
Early retirement	147,938	1,265,689	-	-	147,938	1,265,689	-88.31%
Other termination benefits	9,539	14,741	-	-	9,539	14,741	-35.29%
Compensated absences	397,395	362,125	-	-	397,395	362,125	9.74%
Net OPEB liability	996,275	821,502	1,725	1,481	998,000	822,983	100.00%
Total	\$ 12,085,047	16,658,494	1,725	1,481	12,086,772	16,659,975	-27.45%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment in nine of the past ten years. The enrollment decreased 79 students for the October 2010 enrollment count and another 55 students for the October 2011 enrollment count. Despite growth in the city of Ames, there is little residential growth within the school district's boundaries.
- The District's sales tax revenues remain strong with a small percentage of growth to help fund capital expenditures in the District. The District's property tax base also remains strong with a small percentage increase for the upcoming tax year. The District is anticipating a reduced tax rate for the General Fund.
- On July 1, 2011, the IPERS increase to 8.07% will increase the Ames Community Schools employer benefit costs during fiscal 2012. An additional increase to 8.67% is anticipated for FY13.

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 Karen Shimp, District Secretary/Treasurer and Chief Financial Officer, Ames Community School District, 415 Stanton Avenue, Ames, Iowa, 50014-7331.

BASIC FINANCIAL STATEMENTS

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		Total	Component Unit
	Governmental Activities	Business Type Activities		Athletic Booster Club
ASSETS				
Cash and pooled investments	\$ 30,286,638	128,391	30,415,029	136,141
Receivables:				
Property tax:				
Delinquent	167,456	-	167,456	-
Succeeding year	29,748,815	-	29,748,815	-
Income surtax	2,033,447	-	2,033,447	-
Accounts	569,218	57,644	626,862	-
Due from other governments	2,162,151	-	2,162,151	-
Prepaid items	95,083	-	95,083	-
Inventories	9,273	39,492	48,765	-
Capital assets, net of accumulated depreciation	56,289,001	497,763	56,786,764	-
TOTAL ASSETS	121,361,082	723,290	122,084,372	136,141
LIABILITIES				
Excess of warrants issued over bank balance	335,131	-	335,131	-
Accounts payable	1,109,188	9,319	1,118,507	-
Salaries and benefits payable	5,100,587	2,873	5,103,460	-
Incurred but not reported claims	783,391	-	783,391	-
Interest payable	57,918	-	57,918	-
Deferred revenue:				
Succeeding year property tax	29,748,815	-	29,748,815	-
Other	952,450	-	952,450	-
Unearned revenue	71,837	29,612	101,449	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	450,000	-	450,000	-
Revenue bonds	3,384,364	-	3,384,364	-
Early retirement	147,938	-	147,938	-
Termination benefits	5,202	-	5,202	-
Compensated absences	397,395	-	397,395	-
Portion due after one year:				
General obligation bonds	670,000	-	670,000	-
Revenue bonds	6,029,536	-	6,029,536	-
Termination benefits	4,337	-	4,337	-
Net OPEB liability	996,275	1,725	998,000	-
TOTAL LIABILITIES	50,244,364	43,529	50,287,893	-
NET ASSETS				
Invested in capital assets, net of related debt	45,755,101	497,763	46,252,864	-
Restricted for:				
Categorical funding	1,492,620	-	1,492,620	-
Debt service	3,891,550	-	3,891,550	-
Management levy purposes	2,150,926	-	2,150,926	-
Student activities	338,291	-	338,291	-
School infrastructure	366,560	-	366,560	-
Physical plant and equipment	2,698,269	-	2,698,269	-
Unrestricted	14,423,401	181,998	19,201,800	136,141
TOTAL NET ASSETS	\$ 71,116,718	679,761	71,796,479	136,141

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Component Unit	
					Governmental Activities	Business Type Activities	Total	Athletic Booster Club
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 18,575,651	1,842,736	600,735	-	(16,132,180)	-	(16,132,180)	-
Special	7,649,424	1,028,107	1,216,527	-	(5,404,790)	-	(5,404,790)	-
Other	6,013,581	1,056,047	1,611,421	-	(3,346,113)	-	(3,346,113)	-
	<u>32,238,656</u>	<u>3,926,890</u>	<u>3,428,683</u>	<u>-</u>	<u>(24,883,083)</u>	<u>-</u>	<u>(24,883,083)</u>	<u>-</u>
Support services:								
Student	1,039,281	-	-	-	(1,039,281)	-	(1,039,281)	-
Instructional staff	790,897	-	-	-	(790,897)	-	(790,897)	-
Administration	4,767,380	-	3,174	-	(4,764,206)	-	(4,764,206)	-
Operation and maintenance of plant	5,343,571	-	42,103	45,708	(5,255,760)	-	(5,255,760)	-
Transportation	1,650,184	175,633	31,507	-	(1,443,044)	-	(1,443,044)	-
	<u>13,591,313</u>	<u>175,633</u>	<u>76,784</u>	<u>45,708</u>	<u>(13,293,188)</u>	<u>-</u>	<u>(13,293,188)</u>	<u>-</u>
Other expenses:								
Long-term debt interest	787,137	-	-	-	(787,137)	-	(787,137)	-
AEA flowthrough	1,681,357	-	1,681,357	-	-	-	-	-
Depreciation(unallocated)*	1,545,386	-	-	-	(1,545,386)	-	(1,545,386)	-
	<u>4,013,880</u>	<u>-</u>	<u>1,681,357</u>	<u>-</u>	<u>(2,332,523)</u>	<u>-</u>	<u>(2,332,523)</u>	<u>-</u>
Total governmental activities	49,843,849	4,102,523	5,186,824	45,708	(40,508,794)	-	(40,508,794)	-
Business Type activities:								
Support services								
Administration	83,948	-	-	-	-	(83,948)	(83,948)	-
Operation and maintenance of plant	14,300	-	-	-	-	(14,300)	(14,300)	-
	<u>98,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,248)</u>	<u>(98,248)</u>	<u>-</u>
Non-instructional programs:								
Nutrition services	1,357,903	765,609	694,538	-	-	102,244	102,244	-
Total business type activities	1,456,151	765,609	694,538	-	-	3,996	3,996	-
Total Primary Government	\$ 51,300,000	4,868,132	5,881,362	45,708	(40,508,794)	3,996	(40,504,798)	-
Total Component Unit	\$ 356,520	-	370,460	-	-	-	-	13,940
General Revenues:								
Property tax levied for:								
General purposes				\$ 25,453,059	-	25,453,059	-	-
Debt service				696,594	-	696,594	-	-
Capital outlay				3,363,534	-	3,363,534	-	-
Income surtax				1,883,327	-	1,883,327	-	-
Statewide sales, services and use tax				4,356,731	-	4,356,731	-	-
Unrestricted state grants				14,284,611	-	14,284,611	-	-
Nonspecific program federal grants				512,334	-	512,334	-	-
Unrestricted investment earnings				496,323	436	496,759	739	-
Other				470,029	-	470,029	-	-
Transfer				(970,322)	970,322	-	-	-
Total general revenues				<u>50,546,220</u>	<u>970,758</u>	<u>51,516,978</u>	<u>739</u>	<u>739</u>
Changes in net assets				10,037,426	974,754	11,012,180	14,679	14,679
Net assets beginning of year				61,079,292	(294,993)	60,784,299	121,462	121,462
Net assets end of year				\$ 71,116,718	679,761	71,796,479	136,141	136,141

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Total Nonmajor Funds	Total
Assets				
Cash and pooled investments	\$ 15,292,007	2,902,831	6,201,593	24,396,431
Receivables:				
Property tax				
Delinquent	141,589	19,084	6,783	167,456
Succeeding year	24,555,365	3,422,072	1,771,378	29,748,815
Income surtax	2,033,447	-	-	2,033,447
Interfund	4,888	-	-	4,888
Accounts	114,151	2,686	452,381	569,218
Due from other governments	1,460,460	701,691	-	2,162,151
Inventories	9,273	-	-	9,273
Prepaid items	57,818	37,265	-	95,083
Total assets	\$ 43,668,998	7,085,629	8,432,135	59,186,762
Liabilities and Fund Balances				
Liabilities:				
Excess of warrants issued over bank balance	\$ -	335,131	-	335,131
Interfund payable	-	-	4,888	4,888
Accounts payable	791,040	263,597	54,551	1,109,188
Salaries and benefits payable	5,099,811	-	776	5,100,587
Deferred revenue:				
Succeeding year property tax	24,555,365	3,422,072	1,771,378	29,748,815
Income surtax	2,033,447	-	-	2,033,447
Other	952,450	-	-	952,450
Unearned revenue	-	-	71,837	71,837
Total liabilities	33,432,113	4,020,800	1,903,430	39,356,343
Fund balances:				
Nonspendable	67,091	-	-	67,091
Restricted for:				
Categorical funding	1,492,620	-	-	1,492,620
Debt Service	-	-	3,891,550	3,891,550
Management levy purposes	-	-	2,298,864	2,298,864
Student activities	-	-	338,291	338,291
School infrastructure	-	366,560	-	366,560
Physical plant and equipment	-	2,698,269	-	2,698,269
Unassigned	8,677,174	-	-	8,677,174
Total fund balances	10,236,885	3,064,829	6,528,705	19,830,419
Total liabilities and fund balances	\$ 43,668,998	7,085,629	8,432,135	- 59,186,762

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$	19,830,419
 <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.		56,289,001
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		2,033,447
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		5,106,816
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(57,918)
Long-term liabilities, including bonds payable, compensated absences, and other postemployment benefits payable, are not due and payable in the current period and, therefore are not reported in governmental funds.		<u>(12,085,047)</u>
 Net assets of governmental activities(page 18)	 \$	 <u><u>71,116,718</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Total Nonmajor Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 26,957,341	7,720,265	1,195,383	35,872,989
Tuition	2,653,778	-	-	2,653,778
Other	1,031,013	56,721	1,375,871	2,463,605
State sources	17,133,787	929	330	17,135,046
Federal sources	2,803,820	42,103	-	2,845,923
Total revenues	<u>50,579,739</u>	<u>7,820,018</u>	<u>2,571,584</u>	<u>60,971,341</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,619,243	-	915,029	19,534,272
Special	7,987,500	-	-	7,987,500
Other	5,234,041	-	781,724	6,015,765
	<u>31,840,784</u>	<u>-</u>	<u>1,696,753</u>	<u>33,537,537</u>
Support services:				
Student	1,067,736	-	-	1,067,736
Instructional staff	843,662	-	-	843,662
Administration	4,936,314	191	44,981	4,981,486
Operation and maintenance of plant	3,180,884	-	516,862	3,697,746
Transportation	1,637,940	-	40,811	1,678,751
	<u>11,666,536</u>	<u>191</u>	<u>602,654</u>	<u>12,269,381</u>
Other expenditures:				
Facilities acquisitions	-	2,712,080	-	2,712,080
Long-term debt:				
Principal	-	-	3,660,537	3,660,537
Interest and fiscal charges	-	-	798,757	798,757
AEA flowthrough	1,681,357	-	-	1,681,357
	<u>1,681,357</u>	<u>2,712,080</u>	<u>4,459,294</u>	<u>8,852,731</u>
Total expenditures	<u>45,188,677</u>	<u>2,712,271</u>	<u>6,758,701</u>	<u>54,659,649</u>
Excess(deficiency)of revenues over(under) expenditures	5,391,062	5,107,747	(4,187,117)	6,311,692
Other financing sources(uses):				
Transfer in	-	-	4,349,688	4,349,688
Transfer out	(970,322)	(4,349,688)	-	(5,320,010)
Sale of equipment	19,600	-	-	19,600
Total other financing sources(uses)	<u>(950,722)</u>	<u>(4,349,688)</u>	<u>4,349,688</u>	<u>(950,722)</u>
Net change in fund balances	4,440,340	758,059	162,571	5,360,970
Fund balance beginning of year, as restated	<u>5,796,545</u>	<u>2,306,770</u>	<u>6,366,134</u>	<u>14,469,449</u>
Fund balance end of year	<u>\$ 10,236,885</u>	<u>3,064,829</u>	<u>6,528,705</u>	<u>19,830,419</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES 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, 2011

Net change in fund balances - total governmental funds(page 22)	\$	5,360,970
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 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. Capital outlay expenditures exceed depreciation expense in the current year, as follows:		
Expenditures for capital assets	\$ 1,683,089	
Depreciation expense	<u>(1,796,298)</u>	(113,209)
 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.		
		3,660,537
 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.		
		11,620
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(119,744)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early Retirement	\$ 1,117,751	
Other Termination Benefit	5,202	
Compensated Absences	(35,270)	
Other postemployment benefits	<u>(174,773)</u>	912,910
 Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		<u>324,342</u>
 Changes in net assets of governmental activities(page 19)	 \$	 <u><u>10,037,426</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Assets		
Cash and pooled investments	\$ 128,391	5,890,207
Accounts receivable	57,644	-
Inventories	39,492	-
Capital assets, net of accumulated depreciation	497,763	-
Total assets	723,290	5,890,207
Liabilities		
Accounts payable	9,319	-
Salaries and benefits payable	2,873	-
Net OPEB liability	1,725	-
Incurred but not reported claims	-	783,391
Unearned revenues	29,612	-
Total liabilities	43,529	783,391
Net assets		
Invested in capital assets	497,763	-
Unrestricted	181,998	5,106,816
Total net assets	\$ 679,761	5,106,816

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 765,609	6,339,124
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	1,487	-
Other	82,461	-
Operation and maintenance of plant:		
Services	14,300	-
	<u>98,248</u>	<u>-</u>
Non-instructional programs:		
Salaries	22,421	-
Benefits	13,333	6,011,267
Services	681,241	-
Supplies	562,566	3,515
Depreciation	78,342	-
	<u>1,357,903</u>	<u>6,014,782</u>
TOTAL OPERATING EXPENSES	<u>1,456,151</u>	<u>6,014,782</u>
OPERATING INCOME (LOSS)	<u>(690,542)</u>	<u>324,342</u>
NON-OPERATING REVENUES:		
Transfer from General Fund	970,322	-
State sources	11,922	-
Federal sources	682,616	-
Interest income	436	-
TOTAL NON-OPERATING REVENUES	<u>1,665,296</u>	<u>-</u>
Changes in net assets	974,754	324,342
Net assets beginning of year	<u>(294,993)</u>	<u>4,782,474</u>
Net assets end of year	<u>\$ 679,761</u>	<u>5,106,816</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business Type Activities - Enterprise - Fund	Governmental Activities - Internal Service Fund
	School Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 742,858	-
Cash received from miscellaneous operating activities	-	6,339,355
Cash payments to employees for services	(35,466)	(6,011,267)
Cash payments to suppliers for goods or services	(1,248,902)	64,863
Net cash provided by(used in) operating activities	<u>(541,510)</u>	<u>392,951</u>
Cash flows from non-capital financing activities:		
State grants received	11,922	-
Federal grants received	582,241	-
Net cash provided by non-capital financing activities	<u>594,163</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	436	-
Net increase in cash and cash equivalents	53,089	392,951
Cash and cash equivalents at beginning of year	<u>75,302</u>	<u>5,497,256</u>
Cash and cash equivalents at end of year	<u>\$ 128,391</u>	<u>5,890,207</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income (loss)	\$ (690,542)	324,342
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	100,375	-
Depreciation	78,342	-
Increase in inventories	(27,957)	-
(Increase) Decrease in accounts receivable	(22,215)	231
Increase in accounts payable	20,735	-
Increase in salaries and benefits payable	44	-
Decrease in incurred but not reported claims	-	68,378
Decrease in unearned revenue	(536)	-
Increase in other postemployment benefits payable	244	-
Net cash provided by(used in) operating activities	<u>\$ (541,510)</u>	<u>392,951</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$100,375.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Agency
ASSETS	
Cash and pooled investments	\$ 30,407
Due from other groups	223,543
TOTAL ASSETS	\$ 253,950
 LIABILITIES	
Excess of warrants issued over bank balance	\$ 216,020
Accounts payable	2,573
Due to other groups	35,357
TOTAL LIABILITIES	\$ 253,950

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

Note 1. Summary of Significant Accounting Policies

The Ames 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. The geographic area served primarily includes the City of Ames, Iowa. 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, Ames 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 Ames Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Discretely Presented Component Unit – The Ames Athletic Booster Club is a legally separate not-for-profit foundation. The Booster Club was established for the purpose of giving financial assistance to the Ames Community School District's Student Activity Fund.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does 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 Story 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 service.

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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which 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 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 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 utilized to account for statewide sales and services tax and capital improvements.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund, Health Insurance Fund. The Nutrition Fund is used to account for the food service operations of the District. The Health Insurance Fund is used to account for the self-funded health insurance 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 Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds 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 non-operating 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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 except for the investment in the Iowa Schools Joint Investment Trust and IPASeducation which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, 2011 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.

Prepaid Items – The District prepaid items from the General Fund and the Capital Projects: Physical Plant and Equipment Levy Fund.

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 repair 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	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangible assets	125,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangible assets	5-12 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July, 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 represents 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 receivable and other receivables not collected within sixty days after year end. Deferred revenue in 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 Revenue – Unearned revenues are monies collected for student fees and 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 balance sheet in the Enterprise, School Nutrition Fund. The student fees are fees for the next year. The student fee balances are reflected on the balance sheet in the General Fund and Special Revenue Fund, Student Activity Fund.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District’s deposits at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$85,037 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

At June 30, 2011, the District had investments in the IPASeducation which are valued at an amortized cost of \$5,657,657 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody’s Investors Service. The investments in the IPASeducation are registered and not subject to rating.

Note 3. Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Nutrition Fund	General Fund	\$ 970,322
Debt Service	Capital Projects	<u>4,349,688</u>
Total		<u>\$ 5,320,010</u>

The transfers from General Fund to the Enterprise, Nutrition Fund were needed by the recommendation given by the State Board of Appeals and the School Budget Review Committee as an acceptable solution to forgive the loan that was owed by the Nutrition Fund to the General Fund that it would never have been able to repay.

The transfer from the Capital projects: Statewide sales, and services and use tax fund was annual revenue bond payments.

Note 4. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue: Management Fund	<u>\$ 4,888</u>

The Enterprise, School Nutrition Fund is repaying the General fund for salaries and benefits. The balance will be repaid by June 30, 2011.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,981,652	-	-	4,981,652
Construction in progress	219,979	732,445	640,855	311,569
Total capital assets not being depreciated	<u>5,201,631</u>	<u>732,445</u>	<u>640,855</u>	<u>5,293,221</u>
Capital assets being depreciated:				
Buildings	63,444,826	801,433	-	64,246,259
Land improvements	7,972,122	127,593	-	8,099,715
Machinery and equipment	4,857,976	752,473	90,000	5,520,449
Total capital assets being depreciated	<u>76,274,924</u>	<u>1,681,499</u>	<u>90,000</u>	<u>77,866,423</u>
Less accumulated depreciation for:				
Buildings	20,256,395	1,190,705	-	21,447,100
Land improvements	2,877,504	354,681	-	3,232,185
Machinery and equipment	1,940,446	340,912	90,000	2,191,358
Total accumulated depreciation	<u>25,074,345</u>	<u>1,886,298</u>	<u>90,000</u>	<u>26,870,643</u>
Total capital assets being depreciated, net	<u>51,200,579</u>	<u>(204,799)</u>	<u>-</u>	<u>50,995,780</u>
Governmental activities capital assets, net	<u>\$ 56,402,210</u>	<u>527,646</u>	<u>640,855</u>	<u>56,289,001</u>
Business type activities:				
Machinery and equipment	\$ 1,138,980	-	-	1,138,980
Less accumulated depreciation	562,875	78,342	-	641,217
Business-type activities capital assets, net	<u>\$ 576,105</u>	<u>(78,342)</u>	<u>-</u>	<u>497,763</u>
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 159,852
Support services:				
Administration				50,269
Operation and maintenance				39,796
Transportation				90,995
				<u>340,912</u>
Unallocated depreciation				<u>1,545,386</u>
Total governmental activities depreciation expense				<u>\$ 1,886,298</u>
Business type activities:				
Food services				<u>\$ 78,342</u>

Note 6. Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 1,550,000	-	430,000	1,120,000	450,000
Revenue Bonds	12,644,437	-	3,230,537	9,413,900	3,384,364
Early Retirement	1,265,689	147,938	1,265,689	147,938	147,938
Other Termination Benefit	14,741	-	5,202	9,539	5,202
Compensated Absences	362,125	397,395	362,125	397,395	397,395
Net OPEB liability	821,502	174,773	-	996,275	-
Total	\$ 16,658,494	720,106	5,293,553	12,085,047	4,384,899
Business type activities:					
Net OPEB liability	\$ 1,481	244	-	1,725	-

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of March 1, 2004		
		Principal	Interest	Total
2012	3.05 %	\$ 450,000	35,910	485,910
2013	3.25	465,000	22,185	487,185
2014	3.45	205,000	7,073	212,073
Total		\$ 1,120,000	65,168	1,185,168

Revenue Bonds Payable

Details of the District's June 30, 2011 local option (statewide) sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	2006 Series A		2006 Series B	
		Principal	Interest	Principal	Interest
2012	4.65 %	\$ 1,570,622	122,881	1,570,622	122,881
2013	4.65	1,645,232	48,270	1,645,232	48,270
2014	4.65	140,581	545	140,581	545
Total		\$ 3,356,435	171,696	3,356,435	171,696

Year Ending June 30,	Issue Dated January 14, 2009			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	4.80 %	\$ 243,120	124,347	3,384,364	370,109	3,754,473
2013	4.80	255,049	112,417	3,545,513	208,957	3,754,470
2014	4.80	267,565	99,902	548,727	100,992	649,719
2015	4.80	280,694	86,772	280,694	86,772	367,466
2016	4.80	294,467	72,999	294,467	416,391	710,858
2017-2021	4.80	1,360,135	140,355	1,360,135	140,355	1,500,490
Total		\$ 2,701,030	636,792	9,413,900	1,323,576	10,737,476

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$20,000,000 bonds issued in March 2006 and the \$3,225,000 bonds issued in January 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure and are payable through 2014 and 2021 respectively. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District. 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 a high percentage of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$10,057,418. For the current year, \$3,230,537 in principal and \$523,935 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$4,356,731.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

All proceeds from the local option (statewide) sales and services tax shall be placed in a revenue account.

Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

In each month commencing October 1, 2007 receipts of the local option (statewide) sales and services tax after deposits to the sinking fund shall be deposited in the reserve fund until there is on deposit in the reserve fund the amount of \$1,000,000.

Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Note 7. Termination Benefits

Early Retirement

The District offers a voluntary early retirement plan to its certified and support staff employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

Early retirement incentive for each eligible employee approved by the Board will be based on the number of days of accumulated sick leave (maximum of 165 days) times 15% of the employee's per diem salary. For this purpose, per diem salary is defined as base salary plus longevity pay. The employee will receive an additional \$15 for each day of accumulated sick leave (maximum of 165 days).

The District shall contribute the lump sum amount of the employee's retirement compensation directly in an account for the employee under the District's Employer Sponsored 403(b) Special Pay

Deferral Plan, as a non-elective employer contribution, within 60 days of the employee's retirement effective date; provided, however, that the amount of such contribution shall not exceed the application limitations under section 403(b) and other applicable provisions of the Internal Revenue Code of 1986, as amended.

As part of the early retirement incentive, the District will pay a fixed dollar amount per month for single medical insurance coverage until the retiree reaches age 65. The dollar amount (currently \$411.86) will be the single premium for plan 4 (\$1,000 deductible). The rate in effect at the retirement effective date will be the rate provided by the District. The District's contribution toward medical insurance will not increase after established at the retirement effective date.

Early retirement benefits paid during the year ended June 30, 2011, totaled \$1,265,689. The insurance paid for early retirement was calculated in the OPEB liability. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement cash payout.

Other Termination Benefit

The District offered a special termination benefit for an employee that resigned during the year ended June 30, 2007. The District agreed to pay a fixed amount per month for single medical insurance coverage until the employee reaches age 65. Health and dental insurance will be paid until April 2013 at the rate of \$433.54. The District also agreed to pay life insurance for one year at the rate of \$65.

A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

Note 8 . Bond Defeasement

On June 1, 2007, the District advance refunded \$2,000,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. The bonds were called on June 1, 2011. Repayment of principal and interest for the year was \$2,000,000 and \$0.

On June 1, 2008, the District advance refunded \$2,050,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. The bonds were called on June 1, 2011. Repayment of principal and interest for the year was \$2,050,000 and \$0.

On June 1, 2009, the District advance refunded \$1,500,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. The bonds were called on June 1, 2011. Repayment of principal and interest for the year was \$1,500,000 and \$0.

Note 9. 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$1,963,715, \$1,945,836 and \$1,794,217 respectively, equal to the required contributions for each year.

Note 10. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 561 active and 68 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with First Administrators. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit 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 that, if paid on an ongoing basis, is projected to cover normal costs 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	734,000
Interest on net OPEB obligation		37,000
Adjustment to annual required contribution		(31,983)
Annual OPEB cost		<u>739,017</u>
Contributions made		(565,000)
Increase in net OPEB obligation		<u>174,017</u>
Net OPEB obligation beginning of year		<u>823,983</u>
Net OPEB obligation end of year	\$	<u><u>998,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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, 2011.

For the year ended June 30, 2011, the District contributed \$565,000 to the medical plan. Plan members eligible for benefits contributed \$539,000, or 48.82% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 1,259,000	59.97%	\$ 504,000
2010	1,263,983	74.68%	823,983
2011	739,017	76.45%	998,000

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$7,080,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,080,000. The covered payroll (annual payroll of active employees covered by the plan was \$14,234,205, and the ratio of the UAAL to covered payroll was 49.74%. As of June 30, 2011, 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. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan for retirees less than age 65 are \$747.42 per month under the Basic Plan, \$703.42 per month under Plan A, \$661.25 per month under Plan B, and \$547.75 per month under Plan C. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 11. Risk Management

The District has a self-funded health and dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$75,000 in insured claims for any one covered individual. Settled aggregate stop-loss claims have not exceeded the commercial coverage in any of the past two years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$5,106,816 at April 30, 2010, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$783,391 reported in the plan at April 30, 2011, is based on the requirements of GASB Statement Number 10, is included as a liability on the Statement of Net Assets.

In addition, the District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

Note 12. 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 \$1,681,357 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 13. Construction Commitment

The District has entered into contracts for a variety of projects including: a High School fire alarm project, fire alarms/clocks at Sawyer, 24th Street drainage project, High School sanitary sewer rehab and a High School roof project. As of June 30, 2011, costs of \$311,569 had been incurred against the contracts. The balance remaining on these contracts at June 30, 2011 will be paid as work on the project progresses and will be capitalized upon completion.

Note 14. Categorical Funding

Categorical funding balances for the District as of June 30, 2011 were as follows:

<u>Project</u>	<u>Amount</u>
Statewide Voluntary Preschool	\$ 634,612
LEP Weighting	49,069
Salary Improvement Program	222,369
Professional Development	154,826
Beginning Teacher Mentoring	15,708
Market Factor Incentives	29,202
Market Factor	30,437
State Decategorization Grant	26,084
Early Childhood Programs Grant	21,933
Model Core Curriculum	209,768
Child development	6,699
At risk 4-year-olds	30,620
Early intervention	61,293
Total	<u>\$ 1,492,620</u>

Note 15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 363,004	1,943,766
Changes in fund type classification per implementation of GASB Statement No. 54	1,943,766	(1,943,766)
Balances July 1, 2010, as restated	<u>\$ 2,306,770</u>	<u>-</u>

REQUIRED SUPPLEMENTARY INFORMATION

AMES 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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 40,990,372	766,045	41,756,417	43,598,650	43,598,650	(1,842,233)
State sources	17,135,046	11,922	17,146,968	19,623,988	19,623,988	(2,477,020)
Federal sources	2,845,923	682,616	3,528,539	1,758,750	1,758,750	1,769,789
Total revenues	<u>60,971,341</u>	<u>1,460,583</u>	<u>62,431,924</u>	<u>64,981,388</u>	<u>64,981,388</u>	<u>(2,549,464)</u>
Expenditures:						
Instruction	33,537,537	-	33,537,537	43,793,034	42,793,034	9,255,497
Support services	12,269,381	98,248	12,367,629	15,482,503	15,482,503	3,114,874
Non-instructional programs	-	1,357,903	1,357,903	1,600,000	2,600,000	1,242,097
Other expenditures	8,852,731	-	8,852,731	10,323,771	10,323,771	1,471,040
Total expenditures	<u>54,659,649</u>	<u>1,456,151</u>	<u>56,115,800</u>	<u>71,199,308</u>	<u>71,199,308</u>	<u>15,083,508</u>
Excess(deficiency) of revenues over(under) expenditures	6,311,692	4,432	6,316,124	(6,217,920)	(6,217,920)	12,534,044
Other financing sources, net	<u>(950,722)</u>	<u>970,322</u>	<u>19,600</u>	<u>-</u>	<u>-</u>	<u>19,600</u>
Excess(deficiency)of revenues and other financing sources over(under) expenditures	5,360,970	974,754	6,335,724	(6,217,920)	(6,217,920)	12,553,644
Balance beginning of year	<u>14,469,449</u>	<u>(294,993)</u>	<u>14,174,456</u>	<u>11,033,862</u>	<u>11,033,862</u>	<u>(3,140,594)</u>
Balance end of year	<u>\$ 19,830,419</u>	<u>679,761</u>	<u>20,510,180</u>	<u>4,815,942</u>	<u>4,815,942</u>	<u>9,413,050</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one amendment reclassifying expenditures among the functional areas.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

For 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)
2009	July 1, 2008	\$ -	\$ 10,919,000	\$ 10,919,000	0.00%	\$ 27,365,886	39.90%
2010	July 1, 2008	-	10,919,000	10,919,000	0.00%	29,361,984	37.19%
2011	July 1, 2010	-	7,080,000	7,080,000	0.00%	14,234,205	49.74%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

AMES COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS – CASH BASIS
 COMPONENT UNIT
 JUNE 30, 2011

	Ames Athletic Boosters Club
Assets	
Cash and cash equivalents	\$ 136,141
Total Assets	\$ 136,141
Liabilities:	
Total Liabilities	\$ -
Net Assets	
Unreserved net assets	136,141
Total net assets	136,141
Total Liabilities Net Assets	\$ 136,141

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET ASSETS – CASH BASIS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2011

	Ames Athletic Booster Club
Support and Revenue:	
Interest	\$ 739
Alumin Newsletter	225
Business membership/advertising income	23,650
Camp fee	12,220
Clothing sales	21,885
Club fees	20,021
Donations	30,315
Gym scroll sign	150
Membership dues	35,180
Special events	72,844
Team banquet	8,913
Team fees/donations	145,057
Total support and revenue	371,199
Expenses:	
Athletic trainers	579
Awards, letters. Certificates	5,599
Business membership/ advertising	1,407
Camp	36,158
Clothing sales	4,675
Club	12,741
Fees, contracts for sports programs	1,500
Hall of Fame/Wall of Fame	1,716
Insurance	300
Legal and professional fees	295
Office, newsletter, misc.	1,021
Recognition events	632
Return deposit item	135
Special events	6,880
Subsidies	47,688
Team banquet	12,045
Team	220,826
Travel, meals for camps, clinics	322
Treasurer's assist, web	2,001
Total expenses	356,520
Excess of support and revenue over expenses	14,679
Net assets beginning of year	121,462
Net assets end of year	\$ 136,141

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Nonmajor Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	
Assets					
Cash and pooled investments	\$ 2,338,264	427,922	2,766,186	3,435,407	6,201,593
Receivables:					
Property tax:					
Delinquent	2,830	-	2,830	3,953	6,783
Succeeding year	1,299,993	-	1,299,993	471,385	1,771,378
Accounts	-	191	191	452,190	452,381
Total assets	\$ 3,641,087	428,113	4,069,200	4,362,935	8,432,135
Liabilities and Fund Balances					
Liabilities:					
Interfund payable	\$ 4,888	-	4,888	-	4,888
Accounts payable	36,566	17,985	54,551	-	54,551
Salaries and benefits payable	776	-	776	-	776
Deferred revenue:					
Succeeding year property tax	1,299,993	-	1,299,993	471,385	1,771,378
Unearned revenue	-	71,837	71,837	-	71,837
Total liabilities	1,342,223	89,822	1,432,045	471,385	1,903,430
Fund balances:					
Restricted for:					
Debt service	-	-	-	3,891,550	3,891,550
Management levy purposes	2,298,864	-	2,298,864	-	2,298,864
Student activities	-	338,291	338,291	-	338,291
Total fund balances	2,298,864	338,291	2,637,155	3,891,550	6,528,705
Total Liabilities and fund balances	\$ 3,641,087	428,113	4,069,200	4,362,935	8,432,135

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Nonmajor Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Revenues:					
Local sources:					
Local tax	\$ 498,789	-	498,789	696,594	1,195,383
Other	105,525	817,296	922,821	453,050	1,375,871
State sources	138	-	138	192	330
Total revenues	<u>604,452</u>	<u>817,296</u>	<u>1,421,748</u>	<u>1,149,836</u>	<u>2,571,584</u>
Expenditures:					
Current:					
Instruction:					
Regular	915,029	-	915,029	-	915,029
Other	-	781,724	781,724	-	781,724
Support services:					
Administration	44,981	-	44,981	-	44,981
Operation and maintenance of plant	516,862	-	516,862	-	516,862
Transportation	-	40,811	40,811	-	40,811
Other expenditures:					
Long-term debt:					
Principal	-	-	-	3,660,537	3,660,537
Interest and fiscal charges	-	-	-	798,757	798,757
Total expenditures	<u>1,476,872</u>	<u>822,535</u>	<u>2,299,407</u>	<u>4,459,294</u>	<u>6,758,701</u>
Deficiency of revenues under expenditures	(872,420)	(5,239)	(877,659)	(3,309,458)	(4,187,117)
Other financing sources:					
Transfers in	-	-	-	4,349,688	4,349,688
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,349,688</u>	<u>4,349,688</u>
Net change in fund balances	(872,420)	(5,239)	(877,659)	1,040,230	162,571
Fund balances beginning or year, as restated	<u>3,171,284</u>	<u>343,530</u>	<u>3,514,814</u>	<u>2,851,320</u>	<u>6,366,134</u>
Fund balances end of year	<u>\$ 2,298,864</u>	<u>338,291</u>	<u>2,637,155</u>	<u>3,891,550</u>	<u>6,528,705</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ -	2,902,831	2,902,831
Receivables:			
Property tax:			
Delinquent	-	19,084	19,084
Succeeding year	-	3,422,072	3,422,072
Accounts	-	2,686	2,686
Due from other governments	701,691	-	701,691
Prepaid expenses	-	37,265	37,265
Total assets	\$ 701,691	6,383,938	7,085,629
Liabilities and Fund Balances			
Liabilities:			
Excess of warrants issued over bank balance	\$ 335,131	-	335,131
Accounts payable	-	263,597	263,597
Deferred revenue:			
Succeeding year property tax	-	3,422,072	3,422,072
Total liabilities	335,131	3,685,669	4,020,800
Fund balances:			
Restricted for:			
School infrastructure	366,560	-	366,560
Physical plant and equipment	-	2,698,269	2,698,269
Total fund balances	366,560	2,698,269	3,064,829
Total Liabilities and Fund Balances	\$ 701,691	6,383,938	7,085,629

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 4,356,731	3,363,534	7,720,265
Other	-	56,721	56,721
State sources	-	929	929
Federal sources	-	42,103	42,103
Total revenues	<u>4,356,731</u>	<u>3,463,287</u>	<u>7,820,018</u>
Expenditures:			
Current:			
Support services:			
Administration	-	191	191
Other expenditures:			
Facilities acquisition	3,487	2,708,593	2,712,080
Total expenditures	<u>3,487</u>	<u>2,708,784</u>	<u>2,712,271</u>
Excess of revenues over expenditures	4,353,244	754,503	5,107,747
Other financing uses			
Transfers out	<u>(4,349,688)</u>	-	<u>(4,349,688)</u>
Net change in fund balances	3,556	754,503	758,059
Fund balances beginning of year, as restated	<u>363,004</u>	<u>1,943,766</u>	<u>2,306,770</u>
Fund balances end of year	<u>\$ 366,560</u>	<u>2,698,269</u>	<u>3,064,829</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
District-wide	\$ 1,422	1,427	2,849	-
Edwards	-	-	-	-
Fellows	1,068	5	500	573
Meeker	2,157	8	-	2,165
Mitchell	665	3	-	668
Sawyer	3,510	1,389	1,338	3,561
Wilson-Beardshear	2,536	14	-	2,550
Middle School	143,159	177,688	156,514	164,333
High School	189,013	636,762	661,334	164,441
Total	<u>\$ 343,530</u>	<u>817,296</u>	<u>822,535</u>	<u>338,291</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
 AGENCY FUND
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>AMES EDUCATION FOUNDATION</u>				
Assets				
Due from other groups	\$ 65,190	71,070	65,190	71,070
	<u>\$ 65,190</u>	<u>71,070</u>	<u>65,190</u>	<u>71,070</u>
Liabilities				
Excess of warrants issued over bank balance	\$ 53,561	68,615	53,561	68,615
Accounts payable	11,629	2,455	11,629	2,455
	<u>\$ 65,190</u>	<u>71,070</u>	<u>65,190</u>	<u>71,070</u>
<u>VOCATIONAL CONSORTIUM</u>				
Due from other governments	\$ 29,572	-	29,572	-
Due from other groups	139,356	149,759	139,356	149,759
	<u>\$ 168,928</u>	<u>149,759</u>	<u>168,928</u>	<u>149,759</u>
Liabilities				
Excess of warrants issued over bank balance	\$ 159,285	147,405	159,285	147,405
Accounts payable	4,886	-	4,886	-
Due to other groups	4,757	2,354	4,757	2,354
	<u>\$ 168,928</u>	<u>149,759</u>	<u>168,928</u>	<u>149,759</u>
<u>HS/MS/ELEMENTARY AGENCY</u>				
Assets				
Cash and pooled investments	\$ 32,138	30,407	32,138	30,407
Due from other groups	-	2,714	-	2,714
	<u>\$ 32,138</u>	<u>33,121</u>	<u>32,138</u>	<u>33,121</u>
Liabilities				
Accounts payable	\$ 7,047	118	7,047	118
Due to other groups	25,091	33,003	25,091	33,003
	<u>\$ 32,138</u>	<u>33,121</u>	<u>32,138</u>	<u>33,121</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
Assets				
Cash and pooled investments	\$ 32,138	30,407	32,138	30,407
Due from other governments	29,572	-	29,572	-
Due from other groups	204,546	223,543	204,546	223,543
	<u>\$ 266,256</u>	<u>253,950</u>	<u>266,256</u>	<u>253,950</u>
Liabilities				
Excess of warrants issued over bank balance	\$ 212,846	216,020	212,846	216,020
Accounts payable	23,562	2,573	23,562	2,573
Due to other groups	29,848	35,357	29,848	35,357
	<u>\$ 266,256</u>	<u>253,950</u>	<u>266,256</u>	<u>253,950</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 35,872,989	32,415,975	31,983,458	30,691,122
Tuition	2,653,778	2,967,606	3,082,361	3,238,431
Other	2,463,605	2,435,051	2,696,854	2,558,348
Intermediate sources	-	-	-	-
State sources	17,135,046	14,702,239	17,541,260	16,307,190
Federal sources	2,845,923	4,651,164	2,044,097	1,393,518
Total	\$ 60,971,341	57,172,035	57,348,030	54,188,609
Expenditures:				
Instruction:				
Regular	\$ 19,534,272	20,314,315	21,849,730	19,410,797
Special	7,987,500	7,982,672	9,528,999	7,956,259
Other	6,015,765	5,799,877	2,360,789	4,792,984
Support services:				
Student	1,067,736	1,105,029	994,130	939,490
Instructional staff	843,662	881,864	777,760	784,867
Administration	4,981,486	5,249,525	5,266,640	5,356,752
Operation and maintenance of plant	3,697,746	3,673,665	3,827,315	3,855,316
Transportation	1,678,751	1,589,557	1,571,046	1,473,055
Central support	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisitions	2,712,080	2,972,443	5,254,515	3,242,708
Long-term debt:				
Principal	3,660,537	3,498,702	4,699,283	5,459,028
Interest and other charges	798,757	960,066	1,013,940	1,113,059
AEA flow-through	1,681,357	1,627,177	1,483,016	1,382,303
Total	\$ 54,659,649	55,654,892	58,627,163	55,766,618

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis					
Years Ended June 30,					
2007	2006	2005	2004	2003	2002
31,123,168	29,817,748	29,875,333	28,146,387	24,485,168	21,956,153
3,432,356	2,881,124	2,674,002	2,084,827	1,888,407	1,957,873
2,720,224	2,648,452	1,830,736	1,540,697	1,667,320	2,003,493
38,904	-	-	-	-	-
14,731,416	14,017,998	14,134,624	13,937,110	14,218,846	15,067,261
1,101,449	1,182,298	1,455,320	966,725	963,395	1,144,545
53,147,517	50,547,620	49,970,015	46,675,746	43,223,136	42,129,325
17,926,058	16,760,663	17,174,548	17,607,918	17,352,060	17,575,379
7,275,595	6,915,251	6,378,855	7,348,660	6,676,468	6,145,957
4,539,801	4,528,819	3,909,347	2,234,282	2,407,881	2,875,534
824,229	745,104	797,409	1,745,654	1,603,668	1,951,005
812,896	781,440	1,365,352	1,398,942	1,449,101	1,706,715
4,814,437	5,552,988	3,647,865	2,486,807	2,402,344	2,493,396
3,791,228	3,569,330	3,258,440	3,113,517	2,988,780	2,787,963
1,387,985	1,387,587	1,170,207	795,050	739,955	772,605
-	-	-	289,631	264,321	316,337
-	-	-	2,400	24,839	25,887
2,975,650	13,249,013	25,733,717	9,000,261	2,469,179	2,009,980
5,028,550	905,000	865,000	1,170,000	1,700,000	1,750,000
1,265,962	550,218	512,918	222,796	154,894	282,740
1,296,411	1,221,693	1,217,993	1,235,782	1,315,387	1,318,239
51,938,802	56,167,106	66,031,651	48,651,700	41,548,877	42,011,737

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	\$ 107,383
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	575,233 *
			<u>682,616</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>43,327</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY (TITLE II D)(E2T2)	84.151	FY 11	<u>22</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>1,482</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 10	2,949
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 11	22,043
			<u>24,992</u>
SPECIAL EDUCATION-STATE PROGRAM IMPROVEMENT GRANTS FOR CHILDREN WITH DISABILITIES	84.323	FY 10	<u>2,983</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 11	<u>1,083</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 10	23,005
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 11	3,141
			<u>26,146</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 10	80,604
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 11	175,171
			<u>255,775</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 10	5,932
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 11	28,438
			<u>34,370</u>
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	470,810
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0225-GC	99,044
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0225-D	23,687
ARRA- TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	120,376
			<u>713,917</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT(CONTINUED):			
DEPARTMENT OF EDUCATION(CONTINUED):			
ARRA STABILIZATION CLUSTER:			
ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	32,241
ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	224,194
			<u>256,435</u> **
ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	<u>199,970</u> **
EDUCATION JOBS FUND	84.410	FY 11	<u>55,930</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	<u>224,452</u>
DEPARTMENT OF LABOR:			
IOWA DEPARTMENT OF LABOR:			
EMPLOYMENT SERVICES AND JOB TRAINING - PILOT AND DEMONSTRATION PROGRAM	17.249	FY 11	<u>3,174</u>
NATIONAL SCIENCE FOUNDATION:			
IOWA STATE UNIVERSITY:			
EDUCATE AND HUMAN RESOURCES (NATIONAL SCIENCE FOUNDATION PRESIDENT'S AWARD FOR EXCELLENCE IN MATH AND SCIENCE TEACHING)	47.076	FY 11	<u>2,684</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT			
DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTALLY DECLARED DISASTERS)	97.036	FY 11	<u>42,103</u>
TOTAL			<u>\$ 2,571,461</u>

* Includes \$100,375 of non-cash awards.

** Total of the ARRA- Stabilization Cluster is \$456,405.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Ames 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.

NOLTE, CORNMAN & JOHNSON P.C.

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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Ames 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 Ames Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 17, 2012. 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 Ames 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 an opinion on the effectiveness of Ames Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ames 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 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 that we consider to be significant deficiencies.

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 considered the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ames 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 noncompliance 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, 2011 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ames Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

January 17, 2012

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance in Accordance
with OMB Circular A-133

To the Board of Education of
Ames Community School District

Compliance

We have audited the compliance of Ames 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, 2011. Ames 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 Ames Community School District's management. Our responsibility is to express an opinion on Ames Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ames 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 Ames Community School District's compliance with those requirements.

In our opinion, Ames Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Ames 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 Ames Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ames Community School District's internal control over compliance.

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness.

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 17, 2012

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:

Clustered Programs:

ARRA Cluster

CFDA Number 84.394 - State Fiscal Stabilization Fund - Grants to States

CFDA Number 84.397 - State Fiscal Stabilization Fund - Government Services

Nutrition Cluster

CFDA Number 10.553 - School Breakfast Program

CFDA Number 10.555 - National School Lunch Program

Title I Cluster

CFDA Number 84.010 - Title I Grants to Local Educational Agencies

CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ames Community School District qualified as a low-risk auditee.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Infinite Campus Software - We noted during our audit the District is currently using Infinite Campus for the fee collection recording. It does not appear that the individual buildings are actually inputting the fees into the system, thereby resulting in deposits higher than the recognized fees collected. There is a reconciliation prior to distribution of collected funds, however, the initial transactions do not appear to be done in a manner to allow for reconciliation of the deposits to the recorded fees.

Recommendation - The District should require and train individuals who collect fees to record the fee in the Infinite Campus Software and print a report showing the payments posted and reconcile the listing with the deposit slip. This reconciliation should be done contemporaneously which may allow differences to be adjusted with less research.

Response - The District has upgraded the Infinite Campus modules for recording fees to provide for more accurate and timely recording and reporting of fees due and collected. All schools have been notified that they are required to post fee revenue collected to the Infinite Campus database. Reconciliations of the Infinite Campus reports of fees collected to deposits to the bank and to the general ledger are completed on a monthly basis with the bank reconciliation.

Conclusion - Response accepted.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - District expenditures/expenses for the year ended June 30, 2011, did not exceed the amount budgeted.
- IV-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-11 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.
- IV-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 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.
- IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$	363,004
Revenues:			
Sales tax revenues			4,356,731
			<u>4,719,735</u>
Expenditures/transfers out:			
School infrastructure Construction	3,487		
Transfers to other funds:			
Debt service fund	4,349,688		4,353,175
			<u>4,353,175</u>
Ending balance		\$	<u>366,560</u>

For the year ended June 30, 2011 the District did not reduce any levies as a result of the moneys received under Chapter 423E and 423F of the Code of Iowa.

IV-M-11 Sale of Equipment - We noted during our audit that the District recorded the sale of a vehicle in the PPEL Fund. Chapter 297.22 of the Code of Iowa requires that all equipment sales be recorded in the General Fund.

Recommendation - We have asked for a corrective transfer of \$19,600 for the PPEL Fund to the General Fund. We noted subsequent receipts for equipment sales (FY 2012) that were recorded in the PPEL Fund. We also ask that those proceeds be transferred to the General Fund as well.

Response - District staff have been reminded of the requirements for the proper recording of revenue between the General Fund and the PPEL Fund. A corrective transfer has been made for the \$19,600 to the General Fund from the PPEL Fund and the funds have been transferred to the General Fund bank account.

Conclusion - Response accepted.

IV-N-11 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

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

Response - The District has implemented a procedure to review all outstanding checks on a monthly basis, reissue old checks where possible and turn over those checks over one year old to the Iowa State Treasurer when they cannot be reissued. Staff is current on handling all checks over one year old.

Conclusion - Response accepted.