

ANDREW COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Andrew Community School District
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Charles Schwager	President	2011
Charlie Peters	Vice President	2013
Allan W. Till	Board Member	2011
Kevin Kilburg	Board Member	2011
Randy Ernst	Board Member	2013
School Officials		
Frank Shekleton	Superintendent	2011
Ruth Hingtgen	District Secretary/ Treasurer	2011
Lane and Waterman	Attorney	2011

ANDREW COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Andrew 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 Andrew Community School District, Andrew 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Andrew Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 23, 2012 on our consideration of the Andrew Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information

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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 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 Andrew Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7 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, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Andrew 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

- General Fund revenues increased from \$2,964,064 in fiscal 2010 to \$3,086,610 in fiscal 2011, and General Fund expenditures increased from \$2,939,107 in fiscal 2010 to \$3,050,811 in fiscal 2011. This resulted in an increase in the District's General Fund balance of \$143,142 in fiscal 2010 to a balance of \$178,941 in fiscal 2011, a 25.01% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2011. The increase in expenditures was due primarily to an increase in instructional and support services functional area expenditures.

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

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Andrew Community School District Annual Financial Report

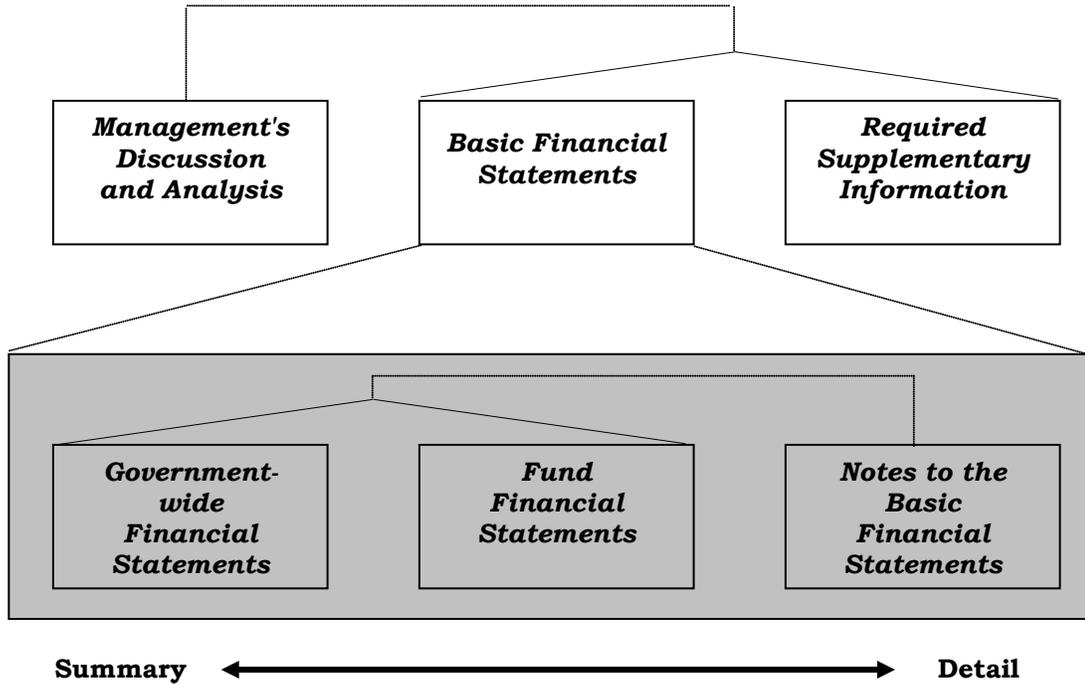


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
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 net assets • Statement of cash flows
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
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
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

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 two 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, Special Revenue Funds, Debt Service Fund, and 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 provides more detail and additional information such as cash flows. The District currently has one Internal Service Fund, the Health Insurance Fund.

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

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 School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 2,434,269	2,413,271	20,808	28,270	2,455,077	2,441,541	0.55%
Capital assets	845,533	929,476	33,333	39,614	878,866	969,090	-9.31%
Total assets	<u>3,279,802</u>	<u>3,342,747</u>	<u>54,141</u>	<u>67,884</u>	<u>3,333,943</u>	<u>3,410,631</u>	<u>-2.25%</u>
Long-term liabilities	98,198	55,385	1,216	608	99,414	55,993	77.55%
Other liabilities	1,500,287	1,539,021	176	3,538	1,500,463	1,542,559	-2.73%
Total liabilities	<u>1,598,485</u>	<u>1,594,406</u>	<u>1,392</u>	<u>4,146</u>	<u>1,599,877</u>	<u>1,598,552</u>	<u>0.08%</u>
Net assets:							
Invested in capital assets, net of related debt	845,533	909,476	33,333	39,614	878,866	949,090	-7.40%
Restricted	665,331	378,354	0	0	665,331	378,354	75.85%
Unrestricted	170,453	460,511	19,416	24,124	189,869	484,635	-60.82%
Total net assets	<u>\$ 1,681,317</u>	<u>1,748,341</u>	<u>52,749</u>	<u>63,738</u>	<u>1,734,066</u>	<u>1,812,079</u>	<u>-4.31%</u>

The District's combined net assets decreased by 4.31%, or \$78,013, over the prior year. The largest portion of the District's net assets is the invested in capital assets 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 \$286,977, or 75.85% over the prior year. The increase was primarily a result of an increase in the Capital Projects fund balance.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$294,766, or 60.82%. This decrease in unrestricted net assets was due primarily to the net OPEB liability of the District and a computer lease entered into by the District.

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

Figure A-4
Changes in Net Assets

	Governmental		Business type		Total		Total Change
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 257,558	323,260	46,454	59,598	304,012	382,858	-20.59%
Operating grants, contributions and restricted interest	303,551	620,187	62,113	71,720	365,664	691,907	-47.15%
Capital grants, contributions and restricted interest	10,769	6,000	0	0	10,769	6,000	79.48%
General revenues:							
Property tax	1,016,402	966,904	0	0	1,016,402	966,904	5.12%
Income surtax	142,069	132,950	0	0	142,069	132,950	6.86%
Statewide sales, services and use tax	200,311	169,644	0	0	200,311	169,644	18.08%
Unrestricted state grants	1,412,858	1,080,244	0	0	1,412,858	1,080,244	30.79%
Nonspecific program federal grants	91,078	0	0	0	91,078	0	100.00%
Unrestricted investment earnings	1,012	8,317	44	41	1,056	8,358	-87.37%
Other general revenues	34,804	23,107	624	378	35,428	23,485	50.85%
Total revenues	3,470,412	3,330,613	109,235	131,737	3,579,647	3,462,350	3.39%
Program expenses:							
Governmental activities:							
Instructional	2,392,369	2,288,439	0	0	2,392,369	2,288,439	4.54%
Support services	967,671	782,378	0	0	967,671	782,378	23.68%
Non-instructional programs	2,123	1,771	120,224	127,679	122,347	129,450	-5.49%
Other expenses	175,273	220,451	0	0	175,273	220,451	-20.49%
Total expenses	3,537,436	3,293,039	120,224	127,679	3,657,660	3,420,718	6.93%
Change in net assets	(67,024)	37,574	(10,989)	4,058	(78,013)	41,632	-287.39%
Net assets beginning of year	1,748,341	1,710,767	63,738	59,680	1,812,079	1,770,447	2.35%
Net assets end of year	\$ 1,681,317	1,748,341	52,749	63,738	1,734,066	1,812,079	-4.31%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 79.86% of the revenues from governmental activities while charges for services and operating grants and contributions account for 99.39% of the revenues in the business type activities.

The District's total revenues were approximately \$3.58 million of which approximately \$3.47 million was for governmental activities and approximately \$.11 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.39% increase in revenues and a 6.93% increase in expenses. The increase in expenses was related to increases in the support services functional area expenditures.

Governmental Activities

Revenues for governmental activities were \$3,470,412 and expenses were \$3,537,436.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change	2011	2010	Change
			2010-11			2010-11
Instruction	\$ 2,392,369	2,288,439	4.54%	1,959,527	1,472,263	33.10%
Support services	967,671	782,378	23.68%	953,793	779,564	22.35%
Non-instructional programs	2,123	1,771	19.88%	2,123	1,771	19.88%
Other expenses	175,273	220,451	-20.49%	50,115	89,994	-44.31%
Totals	\$ 3,537,436	3,293,039	7.42%	2,965,558	2,343,592	26.54%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$257,558.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$314,320.
- The net cost of governmental activities was financed with \$1,016,402 in property tax, \$142,069 in income surtax, \$200,311 in statewide sales, services and use tax, \$1,412,858 in unrestricted state grants, \$91,078 in nonspecific program federal grants, \$1,012 in unrestricted investment earnings and \$34,804, in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$109,235 and expenses were \$120,224. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other miscellaneous revenue.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Andrew 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 \$722,250, above last year's ending fund balances of a \$517,150. The primary reason for the increase in combined fund balances in fiscal 2011 is due to the increase in the General and Capital Projects Fund balances.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the result of many factors. Local tax revenues increased by \$35,214 or 3.53% and state revenues increased by \$189,772 or 13.42%. The District increased General Fund expenditures by \$111,704 or 3.80%. The increase was primarily due to negotiated salaries and benefits.

- The Capital Projects Fund balance increased from a restated balance of \$257,230 at the beginning of the fiscal year 2011 to \$422,721. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. This increase was the result of statewide sales, services and use tax revenues in excess of capital expenditures.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from \$63,738 at June 30, 2010 to \$52,749 at June 30, 2011, representing a decrease of \$10,989 or 17.24%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$44,153 more than budgeted receipts, a variance of 1.25%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily due 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 \$878,866, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 9.31 % over last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$103,650.

The original cost of the District's capital assets was \$3,563,084. Governmental funds account for \$3,470,169 with the remainder of \$92,915 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$210,878 at June 30, 2010, compared to \$167,649 reported at June 30, 2011. This decrease resulted from the depreciation expensed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2010-11
Land	\$ 7,201	7,201	0	0	7,201	7,201	0.00%
Buildings	668,642	705,494	0	0	668,642	705,494	-5.22%
Land improvements	41,655	45,517	0	0	41,655	45,517	-8.48%
Machinery and equipment	128,035	171,264	33,333	39,614	161,368	210,878	-23.48%
Total	\$ 845,533	929,476	33,333	39,614	878,866	969,090	-9.31%

Long Term Debt

At June 30, 2011, the District had a long-term debt payable of \$99,414. This represents an increase of 77.55% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statement.

Figure A-7 Outstanding Long-Term Obligations							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Real estate contract	\$ 0	20,000	0	0	0	20,000	-100.00%
Computer lease	34,636	0	0	0	34,636	0	100.00%
Early Retirement	33,688	20,454	0	0	33,688	20,454	64.70%
Net OPEB obligation	29,874	14,931	1,216	608	31,090	15,539	100.08%
Total	<u>\$ 98,198</u>	<u>55,385</u>	<u>1,216</u>	<u>608</u>	<u>99,414</u>	<u>55,993</u>	<u>77.55%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- A projected 20% decrease in enrollment over the next five years will mean a decrease or stagnant revenue stream from the state. The District is currently developing a long range plan to address this situation.
- The national recession that has adversely impacted the state of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid (allowable growth) to schools will be based on the condition of the state and national economies. Given the current financial status of the State of Iowa, there is a possibility that the state aid rate will be reduced for the fiscal 2011 year.

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 Adam Crigger, Business Manager, Andrew Community School District, 13 S. Marion St, P.O. Box 230, Andrew, Iowa, 52030.

ANDREW COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,126,075	18,363	1,144,438
Receivables			
Property tax:			
Delinquent	14,698	0	14,698
Succeeding year	1,061,136	0	1,061,136
Income surtax	128,001	0	128,001
Due from other governments	104,359	0	104,359
Inventories	0	2,445	2,445
Capital assets, net of accumulated depreciation	845,533	33,333	878,866
TOTAL ASSETS	3,279,802	54,141	3,333,943
LIABILITIES			
Accounts payable	438,519	0	438,519
Deferred revenue:			
Succeeding year property tax	1,061,136	0	1,061,136
Other	632	0	632
Unearned revenue	0	176	176
Long-term liabilities:			
Portion due within one year:			
Computer lease payable	11,217	0	11,217
Early retirement payable	33,688	0	33,688
Portion due after one year:			
Computer lease payable	23,419	0	23,419
Net OPEB liability	29,874	1,216	31,090
TOTAL LIABILITIES	1,598,485	1,392	1,599,877
NET ASSETS			
Invested in capital assets, net of related debt	845,533	33,333	878,866
Restricted for:			
Categorical funding	132,221	0	132,221
School infrastructure	312,882	0	312,882
Physical plant and equipment	109,839	0	109,839
Management levy purposes	48,107	0	48,107
Student activities	62,083	0	62,083
Support trust purposes	199	0	199
Unrestricted	170,453	19,416	189,869
TOTAL NET ASSETS	\$ 1,681,317	52,749	1,734,066

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW 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	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,619,843	173,517	57,713	0	(1,388,613)	0	(1,388,613)
Special	469,511	0	24,770	0	(444,741)	0	(444,741)
Other	303,015	84,041	92,801	0	(126,173)	0	(126,173)
	<u>2,392,369</u>	<u>257,558</u>	<u>175,284</u>	<u>0</u>	<u>(1,959,527)</u>	<u>0</u>	<u>(1,959,527)</u>
Support services:							
Student	58,018	0	0	0	(58,018)	0	(58,018)
Instructional staff	98,143	0	0	0	(98,143)	0	(98,143)
Administration	307,968	0	0	0	(307,968)	0	(307,968)
Operation and maintenance of plant	231,644	0	0	10,769	(220,875)	0	(220,875)
Transportation	271,898	0	3,109	0	(268,789)	0	(268,789)
	<u>967,671</u>	<u>0</u>	<u>3,109</u>	<u>10,769</u>	<u>(953,793)</u>	<u>0</u>	<u>(953,793)</u>
Non-instructional programs:							
Food service operations	2,123	0	0	0	(2,123)		(2,123)
Other expenses:							
AEA flowthrough	125,158	0	125,158	0	0	0	0
Depreciation(unallocated)*	50,115	0	0	0	(50,115)	0	(50,115)
	<u>175,273</u>	<u>0</u>	<u>125,158</u>	<u>0</u>	<u>(50,115)</u>	<u>0</u>	<u>(50,115)</u>
Total governmental activities	3,537,436	257,558	303,551	10,769	(2,965,558)	0	(2,965,558)
Business Type activities:							
Non-instructional programs:							
Nutrition services	120,224	46,454	62,113	0	0	(11,657)	(11,657)
Total business type activities	<u>120,224</u>	<u>46,454</u>	<u>62,113</u>	<u>0</u>	<u>0</u>	<u>(11,657)</u>	<u>(11,657)</u>
Total	<u>\$ 3,657,660</u>	<u>304,012</u>	<u>365,664</u>	<u>10,769</u>	<u>(2,965,558)</u>	<u>(11,657)</u>	<u>(2,977,215)</u>
General revenues:							
Property tax levied for:							
General purposes					\$ 968,542	0	968,542
Capital outlay					47,860	0	47,860
Income surtax					142,069	0	142,069
Statewide sales, services and use tax					200,311	0	200,311
Unrestricted state grants					1,412,858	0	1,412,858
Nonspecific program federal grants					91,078	0	91,078
Unrestricted investment earnings					1,012	44	1,056
Other					34,804	624	35,428
Total general revenues					<u>2,898,534</u>	<u>668</u>	<u>2,899,202</u>
Changes in net assets					(67,024)	(10,989)	(78,013)
Net assets beginning of year					1,748,341	63,738	1,812,079
Net assets end of year					<u>\$ 1,681,317</u>	<u>52,749</u>	<u>1,734,066</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 551,742	368,115	122,487	1,042,344
Receivables:				
Property tax:				
Delinquent	12,851	692	1,155	14,698
Succeeding year	936,174	49,962	75,000	1,061,136
Income surtax	128,001	0	0	128,001
Due from other governments	50,445	53,914	0	104,359
TOTAL ASSETS	\$ 1,679,213	472,683	198,642	2,350,538
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 435,465	0	3,054	438,519
Deferred revenue:				
Succeeding year property tax	936,174	49,962	75,000	1,061,136
Income surtax	128,001	0	0	128,001
Other	632	0	0	632
Total liabilities	1,500,272	49,962	78,054	1,628,288
Fund balances:				
Restricted for:				
Categorical funding	132,221	0	0	132,221
School infrastructure	0	312,882	0	312,882
Physical plant and equipment	0	109,839	0	109,839
Management levy purposes	0	0	81,795	81,795
Student activities	0	0	62,083	62,083
Support trust purposes	0	0	199	199
Unassigned:				
General	46,720	0	0	46,720
Student activities	0	0	(23,489)	(23,489)
Total fund balances	178,941	422,721	120,588	722,250
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,679,213	472,683	198,642	2,350,538

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW 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)	\$	722,250
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		845,533
The income surtax accounts receivable, is not yet available to finance expenditures of the current fiscal period.		128,001
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		83,731
Long-term liabilities, including a computer lease payable, early retirement benefits payable and other postemployment benefits payable are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.		(98,198)
Net assets of governmental activities(page 18)	\$	<u>1,681,317</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,031,397	248,171	79,898	1,359,466
Tuition	168,556	0	0	168,556
Other	49,866	10,334	79,870	140,070
State sources	1,603,382	30	50	1,603,462
Federal sources	198,773	769	0	199,542
Total revenues	3,051,974	259,304	159,818	3,471,096
Expenditures:				
Current:				
Instruction:				
Regular	1,470,547	0	44,174	1,514,721
Special	464,396	0	2,602	466,998
Other	224,454	0	74,828	299,282
	<u>2,159,397</u>	<u>0</u>	<u>121,604</u>	<u>2,281,001</u>
Support services:				
Student	51,985	0	69	52,054
Instructional staff	93,040	0	81	93,121
Administration	267,303	0	1,011	268,314
Operation and maintenance of plant	140,340	0	19,846	160,186
Transportation	213,588	0	11,274	224,862
	<u>766,256</u>	<u>0</u>	<u>32,281</u>	<u>798,537</u>
Non-instructional programs:				
Food service operations	0	0	2,123	2,123
Other expenditures:				
Facilities acquisitions	0	73,813	0	73,813
Long-term debt:				
Principal	0	0	20,000	20,000
AEA flowthrough	125,158	0	0	125,158
	<u>125,158</u>	<u>73,813</u>	<u>20,000</u>	<u>218,971</u>
Total expenditures	3,050,811	73,813	176,008	3,300,632
Excess(Deficiency) of revenues over(under) expenditures	1,163	185,491	(16,190)	170,464
Other financing sources(uses):				
Proceeds from computer lease	34,636	0	0	34,636
Transfers in	0	0	20,000	20,000
Transfers out	0	(20,000)	0	(20,000)
Total other financing sources(uses)	<u>34,636</u>	<u>(20,000)</u>	<u>20,000</u>	<u>34,636</u>
Net change in fund balances	35,799	165,491	3,810	205,100
Fund balance beginning of year, as restated	143,142	257,230	116,778	517,150
Fund balance end of year	<u>\$ 178,941</u>	<u>422,721</u>	<u>120,588</u>	<u>722,250</u>

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW 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) \$ 205,100

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

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

Capital outlays	\$ 13,426	
Depreciation expense	<u>(97,369)</u>	(83,943)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (684)

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (144,684)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Current year long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of issues are as follows:

Issued	(34,636)	
Repaid	<u>20,000</u>	(14,636)

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, as follows:

Early Retirement	(13,234)	
Other postemployment benefits	<u>(14,943)</u>	<u>(28,177)</u>

Changes in net assets of governmental activities(page 19) \$ (67,024)

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	\$ 18,363	83,731
Inventories	2,445	0
Capital assets, net of accumulated depreciation	33,333	0
Total assets	54,141	83,731
Liabilities		
Unearned revenue	176	0
Net OPEB liability	1,216	0
Total liabilities	1,392	0
Net Assets		
Invested in capital assets	33,333	0
Unrestricted	19,416	83,731
Total net assets	\$ 52,749	83,731

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
Operating revenues:		
Local sources:		
Charges for services	\$ 46,454	333,954
Miscellaneous	624	0
Total operating revenues	<u>47,078</u>	<u>333,954</u>
Operating expenses:		
Support services:		
Benefits	0	478,808
Non-instructional programs:		
Food service operations:		
Salaries	41,830	0
Benefits	18,266	0
Services	1,645	0
Supplies	52,202	0
Depreciation	6,281	0
	<u>120,224</u>	<u>0</u>
Total operating expenses	<u>120,224</u>	<u>478,808</u>
Operating loss	<u>(73,146)</u>	<u>(144,854)</u>
Non-operating revenues:		
State sources	1,096	0
Federal sources	61,017	0
Interest income	44	170
Total non-operating revenues	<u>62,157</u>	<u>170</u>
Change in net assets	(10,989)	(144,684)
Net assets beginning of year	<u>63,738</u>	<u>228,415</u>
Net assets end of year	<u>\$ 52,749</u>	<u>83,731</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 46,227	0
Cash received from miscellaneous operating activities	624	333,954
Cash payments to employees for services	(59,488)	0
Cash payments to suppliers for goods or services	(44,632)	(513,333)
Net cash used in operating activities	(57,269)	(179,379)
Cash flows from non-capital financing activities:		
Repayments to the General Fund	(2,144)	0
State grants received	1,096	0
Federal grants received	52,334	0
Net cash provided by non-capital financing activities	51,286	0
Cash flows from investing activities:		
Interest on investments	44	170
Net decrease in cash and cash equivalents	(5,939)	(179,209)
Cash and cash equivalents at beginning of year	24,302	262,940
Cash and cash equivalents at end of year	\$ 18,363	83,731
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (73,146)	(144,854)
Adjustments to reconcile operating loss to net used in operating activities:		
Commodities consumed	8,683	0
Depreciation	6,281	0
Decrease in inventories	1,523	0
Decrease in accounts payable	(991)	0
Decrease in incurred but not reported claims	0	(34,525)
Decrease in unearned revenue	(227)	0
Increase in other postemployment benefits	608	0
Net used in operating activities	\$ (57,269)	(179,379)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$8,683.

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

The Andrew Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through sixth. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Andrew, Iowa, and the predominate agricultural territory in Jackson County. 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, Andrew 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 Andrew Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jackson County Assessors' Conference Board.

B. Basis of Presentation

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

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan

of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and Statement of Activities. This chargeback is based upon a percentage of total employees by the participants' various functional areas.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 - restricted and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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	20-50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Salaries and Benefits Payable- Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

Fund 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 Accounting

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 and the Treasurer of the State of Iowa; 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 \$776,075 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 Investor's Service.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax Fund	<u>\$ 20,000</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund transferred monies to the Debt Service Fund for a payment on a real estate contract.

(4) 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	\$ 7,201	0	0	7,201
Total capital assets not being depreciated	7,201	0	0	7,201
Capital assets being depreciated:				
Buildings	2,032,613	9,401	0	2,042,014
Land improvements	90,781	0	0	90,781
Machinery and equipment	1,326,148	4,025	0	1,330,173
Total capital assets being depreciated	3,449,542	13,426	0	3,462,968
Less accumulated depreciation for:				
Buildings	1,327,119	46,253	0	1,373,372
Land improvements	45,264	3,862	0	49,126
Machinery and equipment	1,154,884	47,254	0	1,202,138
Total accumulated depreciation	2,527,267	97,369	0	2,624,636
Total capital assets being depreciated, net	922,275	(83,943)	0	838,332
Governmental activities capital assets, net	\$ 929,476	(83,943)	0	845,533

	Balance			Balance
	Beginning of	Increases	Decreases	End
	Year			of Year
Business type activities:				
Machinery and equipment	\$ 92,915	0	0	92,915
Less accumulated depreciation	53,301	6,281	0	59,582
Business type activities capital assets, net	\$ 39,614	(6,281)	0	33,333

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				\$ 5,693
Other				2,822
Support services:				
Instructional staff				681
Administration				805
Operation and maintenance of plant				2,097
Transportation				35,156
				<u>47,254</u>
Unallocated depreciation				<u>50,115</u>
Total governmental activities depreciation expense				<u>\$ 97,369</u>
Business type activities:				
Food services				<u>\$ 6,281</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
Governmental activities:					
Real estate contract	\$ 20,000	0	20,000	0	0
Early Retirement	20,454	33,688	20,454	33,688	33,688
Computer lease	0	34,636	0	34,636	11,217
Net OPEB liability	14,931	14,943	0	29,874	0
Total	<u>\$ 55,385</u>	<u>83,267</u>	<u>40,454</u>	<u>98,198</u>	<u>44,905</u>
Business type activities:					
Net OPEB liability	\$ 608	608	0	1,216	0

Computer Leases

Details of the District's June 30, 2011 computer lease indebtedness is as follows:

Year	Computer lease dated April 29, 2011			
	Ending	Interest	Principal	Interest
June 30,	Rates			Total
2012	4.70	% \$	11,217	975
2013	4.70		11,542	650
2014	4.70		11,877	315
Total			<u>\$ 34,636</u>	<u>1,940</u>
				<u>36,576</u>

Early Retirement

During the year ended June 30, 2010 the District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of service as a full-time employee. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee will be based on the employee salary schedule in effect the last year of the employees employment with the District. The employee will receive 50 percent of the current year's salary less phase money, supplemental pay or extended contract pay. Early retirement expenditures for the year ended June 30, 2011 totaled \$20,454.

(6) 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 covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$105,621, \$103,801, and \$103,274, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits

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 36 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Cypress Benefit Administrators. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the Districts 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	\$ 17,700
Interest on net OPEB obligation	388
Adjustment to annual required contribution	(1,488)
Annual OPEB cost	<u>16,600</u>
Contributions made	(1,049)
Increase in net OPEB obligation	<u>15,551</u>
Net OPEB obligation beginning of year	<u>15,539</u>
Net OPEB obligation end of year	<u><u>\$ 31,090</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

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
2010	\$ 16,340	4.90%	\$ 15,539
2011	16,600	6.32%	31,090

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$162,913, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$162,913. The covered payroll (annual payroll of active employees covered by the plan) was \$1,563,459, and the ratio of the UAAL to covered payroll was 10.42%. 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 event 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, 2009 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 Society of Actuaries Study, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the 2006 Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The district has a self-funded health insurance plan. The District purchases commercial insurance to provide for the aggregate stop-loss coverage for the excess of 110% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$25,000 in insured claims for any one covered individual. Settle claims have not exceeded the commercial coverage in any of the past three 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. The fund balance was \$83,731 at June 30, 2011. The incurred but not reported and unpaid claims liability of \$0 reported in the plan at June 30, 2011 based on the requirements of GASB Statement Number 10, is set up as a liability on the balance sheet.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$125,158 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.

(10) Deficit Fund Balance

The Student Activity Fund had a deficit unassigned fund balance of \$23,489.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 16,017
Dropout and dropout prevention	70,933
Beginning teacher mentoring	1,411
Statewide voluntary preschool	14,658
Model core curriculum	14,605
Professional development	14,597
Total	<u>\$ 132,221</u>

(12) 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 reclassification is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 176,848	80,382
Change in fund type classification per implementation of GASB Statement No. 54	80,382	(80,382)
Balance July 1, 2010 as restated	<u>\$ 257,230</u>	<u>0</u>

REQUIRED SUPPLEMENTARY INFORMATION

ANDREW COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE 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
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,668,092	47,122	1,715,214	1,675,499	1,675,499	39,715
State sources	1,603,462	1,096	1,604,558	1,700,679	1,700,679	(96,121)
Federal sources	199,542	61,017	260,559	160,000	160,000	100,559
Total revenues	3,471,096	109,235	3,580,331	3,536,178	3,536,178	44,153
Expenditures/expenses:						
Instruction	2,281,001	0	2,281,001	2,308,000	2,308,000	26,999
Support services	798,537	0	798,537	934,500	934,500	135,963
Non-instructional programs	2,123	120,224	122,347	150,000	150,000	27,653
Other expenditures	218,971	0	218,971	376,970	376,970	157,999
Total expenditures/expenses	3,300,632	120,224	3,420,856	3,769,470	3,769,470	348,614
Excess(Deficiency) of revenues over(under) expenditures/expenses	170,464	(10,989)	159,475	(233,292)	(233,292)	392,767
Other financing sources, net	34,636	0	34,636	0	0	34,636
Excess(Deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	205,100	(10,989)	194,111	(233,292)	(233,292)	427,403
Balance beginning of year	517,150	63,738	580,888	315,161	315,161	265,727
Balance end of year	\$ 722,250	52,749	774,999	81,869	81,869	693,130

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANDREW 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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.

ANDREW COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 162,913	\$ 162,913	0.00%	\$ 1,607,960	10.13%
2011	July 1, 2009	0	162,913	162,913	0.00%	1,563,459	10.42%

See Note 7 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue			Total Special Revenue Funds
	Manage- ment Levy	Student Activity	Support Trust	
Assets				
Cash and pooled investments	\$ 83,694	38,594	199	122,487
Receivables:				
Property tax:				
Delinquent	1,155	0	0	1,155
Succeeding year	75,000	0	0	75,000
Total assets	\$ 159,849	38,594	199	198,642
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 3,054	0	0	3,054
Deferred revenue:				
Succeeding year property tax	75,000	0	0	75,000
Total liabilities	78,054	0	0	78,054
Fund balances:				
Restricted for:				
Management levy purposes	81,795	0	0	81,795
Student activities	0	62,083	0	62,083
Support trust purposes	0	0	199	199
Unassigned	0	(23,489)	0	(23,489)
Total fund balances	81,795	38,594	199	120,588
Total liabilities and fund balances	\$ 159,849	38,594	199	198,642

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue			Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Total
	Manage- ment Levy	Student Activity	Support Trust			
Revenues:						
Local sources:						
Local tax	\$ 79,898	0	0	79,898	0	79,898
Other	5,371	71,647	2,852	79,870	0	79,870
State sources	50	0	0	50	0	50
Total revenues	85,319	71,647	2,852	159,818	0	159,818
Expenditures:						
Current:						
Instruction:						
Regular	44,174	0	0	44,174	0	44,174
Special	2,602	0	0	2,602	0	2,602
Other	757	69,691	4,380	74,828	0	74,828
Support services:						
Student	69	0	0	69	0	69
Instructional staff	81	0	0	81	0	81
Administration	1,011	0	0	1,011	0	1,011
Operation and maintenance of plant	19,846	0	0	19,846	0	19,846
Transportation	11,274	0	0	11,274	0	11,274
Non-instructional programs:						
Food service operations	2,123	0	0	2,123	0	2,123
Other expenditures:						
Long-term debt:						
Principal	0	0	0	0	20,000	20,000
Total expenditures	81,937	69,691	4,380	156,008	20,000	176,008
Excess(Deficiency) of revenues over(under) expenditures	3,382	1,956	(1,528)	3,810	(20,000)	(16,190)
Other financing sources:						
Transfers in	0	0	0	0	20,000	20,000
Net change in fund balances	3,382	1,956	(1,528)	3,810	0	3,810
Fund balance beginning of year, as restated	78,413	36,638	1,727	116,778	0	116,778
Fund balance end of year	\$ 81,795	38,594	199	120,588	0	120,588

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 259,737	108,378	368,115
Receivables:			
Property tax:			
Delinquent	0	692	692
Succeeding year	0	49,962	49,962
Due from other governments	53,145	769	53,914
TOTAL ASSETS	\$ 312,882	159,801	472,683
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 0	49,962	49,962
Total liabilities	0	49,962	49,962
Fund balances:			
Restricted for:			
School infrastructure	312,882	0	312,882
Physical plant and equipment	0	109,839	109,839
Total fund balances	312,882	109,839	422,721
TOTAL LIABILITIES AND FUND BALANCES	\$ 312,882	159,801	472,683

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT 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	\$ 200,311	47,860	248,171
Other	10,193	141	10,334
State sources	0	30	30
Federal sources	0	769	769
Total revenues	210,504	48,800	259,304
Expenditures:			
Current:			
Other expenditures:			
Facilities acquisitions	54,470	19,343	73,813
Total expenditures	54,470	19,343	73,813
Excess of revenues over expenditures	156,034	29,457	185,491
Other financing uses:			
Transfers out	(20,000)	0	(20,000)
Net change in fund balances	136,034	29,457	165,491
Fund balance beginning of year, as restated	176,848	80,382	257,230
Fund balance end of year	\$ 312,882	109,839	422,721

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW 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	Intra Fund Transfers	Balance End of Year
<u>Athletics</u>					
General Athletics	\$ 0	9,572	4,111	0	5,461
Athletic Store	(976)	8	0	0	(968)
Girls Fundraiser	1,494	224	543	0	1,175
Boys Fundraising	(91)	0	0	0	(91)
Uniforms	90	0	0	0	90
Football	(493)	550	0	0	57
Extra Curricular	11,804	22,639	21,892	(530)	12,021
Cross Country	0	200	505	0	(305)
Boys Basketball	0	110	1,540	(110)	(1,540)
Baseball	(2,360)	0	232	0	(2,592)
Boys Track	0	0	53	0	(53)
Girls Basketball	0	2,411	2,883	126	(346)
Volleyball	0	495	2,187	0	(1,692)
Golf	0	0	430	0	(430)
Softball	(8,898)	0	215	0	(9,113)
Girls Track	0	45	962	0	(917)
	570	36,254	35,553	(514)	757
<u>Music</u>					
General Music	4,934	3,667	3,755	0	4,846
Music Store	(1,400)	0	0	0	(1,400)
	3,534	3,667	3,755	0	3,446
<u>Clubs</u>					
Art Club	1,915	0	0	0	1,915
Yearbook	1,532	4,563	3,870	0	2,225
Concession Stand	0	4,691	3,048	264	1,907
Cheerleaders	(931)	402	472	250	(751)
Student Council	21,970	8,691	8,351	0	22,310
Thespians	1,523	939	2,061	0	401
Foreign Language Travel	354	0	0	0	354
	26,363	19,286	17,802	514	28,361
<u>Graduating Classes</u>					
Class of 2010	0	10	0	0	10
Class of 2011	795	660	1,333	(122)	0
Class of 2012	919	4,007	3,354	122	1,694
Class of 2014	1,715	0	1,200	0	515
	3,429	4,677	5,887	0	2,219
<u>Miscellaneous Accounts</u>					
Interest	0	70	0	0	70
Petty Cash	110	0	0	0	110
General Activity	(1,899)	3,433	4,825	0	(3,291)
Elementary Store	4,531	4,260	1,869	0	6,922
	2,742	7,763	6,694	0	3,811
 Total	 \$ 36,638	 71,647	 69,691	 0	 38,594

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANDREW COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
After prom account	\$ 1,475	2,622	4,084	13
Courtsey Funds	252	230	296	186
 Total	 \$ 1,727	 2,852	 4,380	 199

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,359,466	1,273,686	1,283,580	1,262,113	1,233,121	1,150,990	1,094,923	1,119,831
Tuition	168,556	224,707	192,479	244,416	217,216	180,403	187,982	147,485
Other	140,070	142,758	168,849	189,702	252,106	205,904	129,851	148,565
State sources	1,603,462	1,413,679	1,711,917	1,761,428	1,653,670	1,488,919	1,470,942	1,418,215
Federal sources	199,542	279,971	127,568	100,404	104,795	100,566	115,315	105,804
Total	<u>\$ 3,471,096</u>	<u>3,334,801</u>	<u>3,484,393</u>	<u>3,558,063</u>	<u>3,460,908</u>	<u>3,126,782</u>	<u>2,999,013</u>	<u>2,939,900</u>
Expenditures:								
Current:								
Instruction:								
Regular	\$ 1,514,721	1,413,842	1,389,751	1,440,601	1,442,977	1,306,298	1,411,343	1,228,494
Special	466,998	470,935	512,417	564,583	432,742	435,917	479,930	472,931
Other	299,282	351,671	323,252	246,690	308,830	297,596	298,307	242,616
Support services:								
Student	52,054	26,377	62,423	61,352	56,213	53,293	81,796	91,044
Instructional	93,121	33,046	85,700	79,774	69,017	59,782	65,819	58,820
Administration	268,314	299,487	299,846	352,678	342,602	352,480	318,940	298,996
Operation and maintenance of plant	160,186	161,571	168,224	181,477	161,148	169,707	159,688	147,541
Transportation	224,862	222,280	262,324	208,781	264,822	234,984	177,090	196,699
Other support	0	0	0	0	0	0	0	795
Non-instructional programs	2,123	1,771	2,316	2,233	1,855	1,650	17,847	6,359
Other expenditures:								
Facilities acquisitions	73,813	206,948	104,699	319,672	103,170	158,218	286,517	61,310
Long-term debt:								
Principal	20,000	20,000	20,000	20,000	0	0	0	0
AEA flow-through	125,158	124,457	117,250	115,944	109,236	98,400	97,695	99,633
Total	<u>\$ 3,300,632</u>	<u>3,332,385</u>	<u>3,348,202</u>	<u>3,593,785</u>	<u>3,292,612</u>	<u>3,168,325</u>	<u>3,394,972</u>	<u>2,905,238</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education of the
Andrew 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 Andrew Community School District 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 March 23, 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 Andrew 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 Andrew Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Andrew Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-11 and I-C-11 to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Andrew Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

Andrew Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Andrew 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 Andrew Community School District and other parties to whom Andrew 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 Andrew Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2012

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will continue to review our procedures and implement additional controls when and where they may be possible.

Conclusion - Response accepted.

I-B-11 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals for fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited.

Recommendation - Money collected by sponsors should be turned into the office as it is collected during the fundraiser. Supporting documentation should be turned in with the money to be used when reconciling deposits to receipts.

Response - The District has communicated to sponsors that money collected must be turned into the office on the day the money is collected.

Conclusion - Response accepted.

I-C-11 General Fund Invoices - We noted an instance where a payment was made with a vendor statement used as supporting documentation rather than an invoice detailing what was purchased. We also noted some instances of checks being written to vendors without an invoice or statement for supporting documentation.

Recommendation - The District should present the bills for payment to the Board for proper approval in accordance with the District's policy of payment of goods. The District should also, review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response - The District has implemented procedures to ensure that invoices are attached to all purchase orders prior to payment.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

- II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011 did not exceed the certified amounts in the functional areas.
- II-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.
- II-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.
- II-D-11 Business Transactions - No business transactions between the District and District officials were noted.
- II-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.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-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.
- II-J-11 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-11 Statewide Sales, Service 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.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified annual reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 176,848
Revenues:		
Sales tax revenues	\$ 200,311	
Other local revenues	10,193	210,504
		<u>387,352</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 7,903	
Equipment	19,745	
Other	26,822	
Transfers to other funds:		
Debt service fund	20,000	74,470
		<u>74,470</u>
Ending balance		<u>\$ 312,882</u>

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

II-M-11 Retention of Supporting Documentation - Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. During our audit, it was noted that copies of the District's 941's were unavailable for audit.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork and invoices for the District to be in compliance with 291.6 of the Code of Iowa.

Response - This District will maintain all pertinent paperwork as required by 291.6 of the Code of Iowa.

Conclusion - Response accepted.

II-N-11 Financial Condition - The District Student Activity Fund had a deficit unassigned fund balance of \$23,489.

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

Response - The District will monitor the negative activity accounts and investigate ways to eliminate the deficits.

Conclusion - Response accepted.

II-O-11 Petty Cash Account - We noted during our audit that here is a Petty Cash activity account within the Student Activity Fund. Petty cash funds are assets and should be reported on the balance sheet.

Recommendation - It is not appropriate to have a student account designated as "Petty Cash." The balance should be closed to another account within the Student Activity Fund and petty cash should be reclassified to a current asset on the balance sheet.

Response - The District will close out the Petty Cash fund into another account within the Student Activity Fund.

Conclusion - Response accepted.

II-P-11 Published Payroll - We noted during our audit that the District did not publish the salaries for the year of all employees as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The District should review its procedures to ensure that employees' salaries are published on an annual basis. The District should publish a list of salaries as required by Chapter 279.35 of the code of Iowa.

Response - The District will be publishing the fiscal year 2011 salaries in April 2012 and will publish salaries in a timely manner in the future.

Conclusion - Response accepted.