

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 15
Statement of Activities	B 16-17
Governmental Fund Financial Statements:	
Balance Sheet	C 18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 19
Statement of Revenues, Expenditures and Changes in Fund Balances	E 20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 22
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 23
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H 24
Statement of Cash Flows	I 25
Notes to Financial Statements	26-36
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	38
Notes to Required Supplementary Information - Budgetary Reporting	39
Schedule of Funding Progress for the Retiree Health Plan	40
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 43
Capital Project Accounts:	
Combining Balance Sheet	3 44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4 45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5 46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6 47
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 <u>Governmental Auditing Standards</u>	48-49
Schedule of Findings and Responses	50-53

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Independent Auditor's Report

To the Board of Education of
Anthon-Oto 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 Anthon-Oto Community School District, Anthon, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2012 on our consideration of Anthon-Oto Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anthon-Oto Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the 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 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 24, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Anthon-Oto 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 \$3,400,533 in fiscal 2010 to \$3,686,801 in fiscal 2011, while General Fund expenditures increased from \$3,504,402 in fiscal 2010 to \$3,670,983 in fiscal 2011. The District's General Fund balance increased \$15,818, from \$477,731 in fiscal 2010 to \$493,549 in fiscal 2011. This calculates to a 3% increase.
- The main increase in revenues was in the local and federal sources categories. Our Federal stimulus funding made up the largest portion of this increase. We expect a decrease of these revenues sources in FY 2012, because these dollars were spent in FY11, and only a small portion of the Federal stimulus revenues were renewed for FY12. The main increase in expenses was in the regular instruction category.

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 the Anthon-Oto 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 the Anthon-Oto Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

Figure A-1
Anthony-Oto Community School District Annual Financial Report

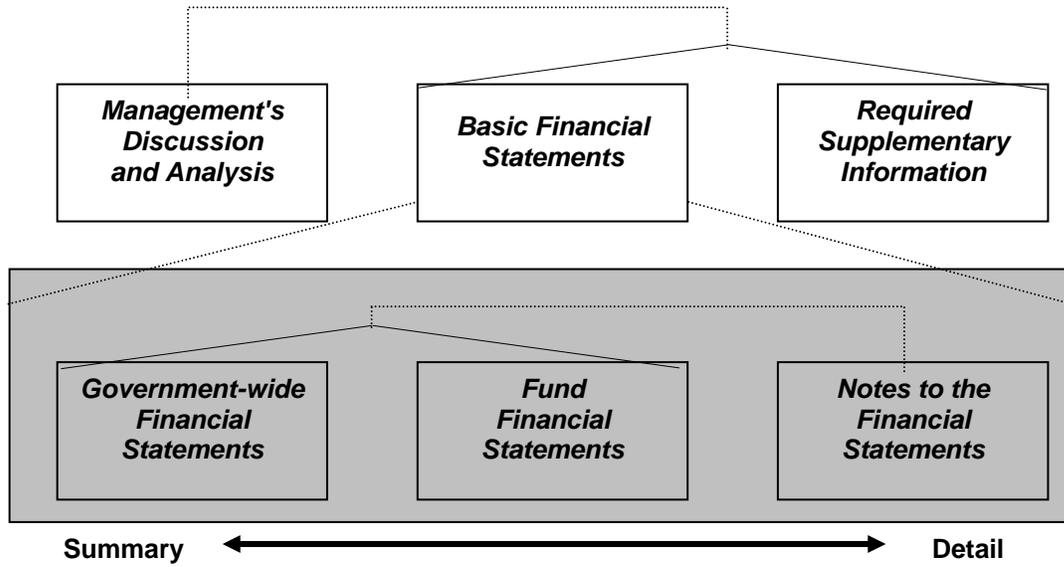


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial 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 governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund 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, 2010 compared to June 30, 2011.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2010	2011	2010	2011	2010	2011	
	\$	\$	\$	\$	\$	\$	
Current and other assets	3,146,756	3,261,943	20,833	16,748	3,167,589	3,278,691	4%
Capital assets	1,932,946	1,795,507	3,218	15,903	1,936,164	1,811,410	-6%
Total assets	5,079,702	5,057,450	24,051	32,651	5,103,753	5,090,101	0%
Long-term liabilities	770,337	722,532	-	-	770,337	722,532	-6%
Other liabilities	1,810,872	1,788,111	1,478	1,941	1,812,350	1,790,052	-1%
Total liabilities	2,581,209	2,510,643	1,478	1,941	2,582,687	2,512,584	-3%
Net Assets:							
Invested in capital assets, net of related debt	1,227,946	1,155,507	3,218	15,903	1,231,164	1,171,410	-5%
Restricted	871,592	977,290	-	-	871,592	977,290	12%
Unrestricted	398,955	414,010	19,355	14,807	418,310	428,817	3%
TOTAL NET ASSETS	2,498,493	2,546,807	22,573	30,710	2,521,066	2,577,517	2%

The District's combined net assets increased by 2%, or approximately \$56,451, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$105,698 or 12% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$10,507, or 3%.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	
Revenues							
Program Revenues:							
Charges for services	897,911	922,430	66,812	58,646	964,723	981,076	2%
Operating grants & contributions	499,755	660,438	94,531	94,885	594,286	755,323	27%
Capital grants & contributions	-	2,036	-	-	-	2,036	0%
General Revenues:							
Property taxes	1,185,676	1,262,001	-	-	1,185,676	1,262,001	6%
Income Surtax	5,832	61,635	-	-	5,832	61,635	957%
Statewide sales tax	216,924	196,906	-	-	216,924	196,906	-9%
Unrestricted state grants	903,099	901,952	-	-	903,099	901,952	0%
Unrestricted investment earnings	3,379	1,882	21	33	3,400	1,915	44%
Other revenue	6,356	-	-	-	6,356	-	-100%
Total Revenues	3,718,932	4,009,280	161,364	153,564	3,880,296	4,162,844	7%
Expenses:							
Instruction	2,644,993	2,482,290	-	-	2,644,993	2,482,290	-6%
Support services	944,806	1,184,711	-	-	944,806	1,184,711	25%
Non-instructional programs	2,812	2,900	147,812	145,427	150,624	148,327	-2%
Other expenditures	327,470	291,065	-	-	327,470	291,065	-11%
Total expenses	3,920,081	3,960,966	147,812	145,427	4,067,893	4,106,393	1%
CHANGE IN NET ASSETS	(201,149)	48,314	13,552	8,137	(187,597)	56,451	130%
Net assets beginning of year	2,699,642	2,498,493	9,021	22,573	2,708,663	2,521,066	-7%
Net assets end of year	2,498,493	2,546,807	22,573	30,710	2,521,066	2,577,517	2%

Property taxes and unrestricted state grants are the largest revenue categories, accounting for 52% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,009,280 and expenses were \$3,960,966. In a difficult budget year, the District tried to balance the budget by trimming expenses as much as possible to match available revenues.

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 2010 \$	Total Cost of Services 2011 \$	Net Cost of Services 2010 \$	Net Cost of Services 2011 \$
Instruction	2,644,993	2,482,290	1,368,885	1,060,501
Support Services	944,806	1,184,711	934,209	1,132,934
Non-instructional Programs	2,812	2,900	2,812	2,900
Other Expenses	327,470	291,065	216,509	179,727
TOTAL	3,920,081	3,960,966	2,522,415	2,376,062

- The cost financed by users of the District's programs was \$922,430;
- Federal and state governments subsidized certain programs with grants and contributions totaling \$662,474.
- The net cost of governmental activities was financed with \$1,520,542 in property and other taxes and \$901,952 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$153,564 and expenses were \$145,427. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District had \$8,137 more revenue than expenses. The District has been addressing our shortage in the School Nutrition Fund for several years and our plan became successful last year. After raising lunch prices several times over the past few years and implementing a new system for collecting our past due lunch accounts, our district was able to close FY10 and FY11 in the positive after paying all hot lunch expenses. We hope to continue this trend and make sure this Fund serves its purpose as a "break even" business type activity.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Anthon-Oto 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 a combined fund balance of \$1,419,042, 6% above last year's ending fund balances of \$1,343,388.

Governmental Fund Highlights

- The General Fund balance increased from \$477,731 to \$493,549. This represents a decrease of \$15,818 or 3%.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.
 - The Sales Tax account balance increased from \$390,574 in 2010 to \$452,244 in 2011, representing an increase of \$61,670, or 16%. We began many repair projects including replacing the gym bleachers, lights, and floor in the summer of FY11, however they were not completed and paid for until the beginning of FY12.
 - The Physical Plant and Equipment Levy account balance increased from \$70,195 at June 30, 2010 to \$99,292 at June 30, 2011, a 41% increase. The district plans to use some of these funds over the next few years for planned repairs and purchases.
 - The Management Fund balance is to be used for District property and liability insurance, legal settlements and employee early retirement programs. The balance decreased from \$401,060 at June 30, 2010 to \$363,236 at June 30, 2011 because the District did not levy a management property tax for fiscal year 2011.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$22,573 at June 30, 2010 to \$30,710 at June 30, 2011, representing an increase of approximately 36%. This increase was due to the district raising hot lunch prices several times over the past few years in an attempt to help offset the increasing expenses. The district also implemented a new collection process for past due accounts and was able to collect a significant amount of those. This is the second year that we have been able to end the year with an increased fund balance. As stated earlier, we want this fund to be a break even account so will continue to monitor it.

BUDGETARY HIGHLIGHTS

In Accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the certified budget. The budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the general fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the district.

The District's actual revenues were \$196,923 less than budgeted receipts, a variance of 5%. The largest variances were found in State and local sources.

Total actual expenditures were \$1,819,252 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$1,811,410, 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 represents a net decrease of 6% from last year. Depreciation expense for the year was \$195,874.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2010-2011
	2010	2011	2010	2011	2010	2011	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	1,614,585	1,491,611	-	-	1,614,585	1,491,611	-8%
Improvements	12,881	11,785	-	-	12,881	11,785	-9%
Equipment & Furniture	295,480	282,111	3,218	15,903	298,698	298,014	0%
TOTAL	1,932,946	1,795,507	3,218	15,903	1,936,164	1,811,410	-6%

Long-Term Debt

At June 30, 2011, the District had \$722,532 in long-term debt outstanding.

The District's revenue bonds are not rated.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$5 million.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2010-2011
	2010	2011	
	\$	\$	
Revenue bonds	705,000	640,000	-9%
Termination benefits	46,494	40,707	-12%
Net OPEB liability	18,843	41,825	122%
	770,337	722,532	-6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District borrowed against our future one-cent sales tax revenue to help pay for the major HVAC renovation in the 2006-2007 school year. We started repaying those funds in 2006-2007, and this liability will continue through the 2019-2020 Fiscal Year.
- Legislation was passed allowing additional funding and property tax relief for Whole Grade Sharing Districts to entice them to consolidate. We have been receiving sharing dollars for researching these opportunities in the past few years. We did not receive any of these incentives in the FY11 fiscal year however, the district recently passed a consolidation vote, so the newly formed district will receive three more years of these sharing dollars. Our district patrons will also receive three years of property tax relief. Our consolidation will become effective on July 1, 2012, which is when these incentives will begin.

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 Shona Klingensmith, Board Secretary/Treasurer and Business Manager, Anthon-Oto Community School District, 110 W. Division St., Anthon, IA 51004.

BASIC FINANCIAL STATEMENTS

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,200,171	10,172	1,210,343
Receivables:			
Property tax:			
Delinquent	22,471	-	22,471
Succeeding year	1,292,756	-	1,292,756
Accounts	-	1,034	1,034
Due from other governments	746,545	-	746,545
Inventories	-	5,542	5,542
Capital assets, net of accumulated depreciation	1,795,507	15,903	1,811,410
Total assets	5,057,450	32,651	5,090,101
Liabilities			
Accounts payable	423,475	-	423,475
Salaries and benefits payable	65,035	-	65,035
Accrued interest payable	6,845	-	6,845
Deferred revenue:			
Succeeding year property tax	1,292,756	-	1,292,756
Other	-	1,941	1,941
Long-term liabilities :			
Portion due within one year:			
Revenue bonds payable	70,000	-	70,000
Termination benefits	7,636	-	7,636
Portion due after one year:			
Revenue bonds payable	570,000	-	570,000
Termination benefits	33,071	-	33,071
Net OPEB liability	41,825	-	41,825
Total liabilities	2,510,643	1,941	2,512,584
Net assets			
Invested in capital assets, net of related debt	1,155,507	15,903	1,171,410
Restricted for:			
Categorical funding	99,349	-	99,349
Management levy	322,529	-	322,529
Physical plant and equipment levy	99,292	-	99,292
Student activities	10,721	-	10,721
Debt service	168,708	-	168,708
School infrastructure	276,691	-	276,691
Unrestricted	414,010	14,807	428,817
Total net assets	2,546,807	30,710	2,577,517

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ending June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular instruction	1,587,759	578,732	428,910	-
Special instruction	567,093	259,679	34,382	-
Other instruction	327,438	32,890	87,196	-
	<u>2,482,290</u>	<u>871,301</u>	<u>550,488</u>	<u>-</u>
Support services:				
Student services	47,629	-	-	-
Instructional staff services	62,492	-	-	-
Administration services	424,452	40,727	-	-
Operation and maintenance of plant services	337,860	500	-	-
Transportation services	312,278	9,902	648	-
	<u>1,184,711</u>	<u>51,129</u>	<u>648</u>	<u>-</u>
Non-instructional programs	<u>2,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	29,653	-	-	2,036
Long-term debt interest	28,040	-	-	-
AEA flowthrough	109,302	-	109,302	-
Depreciation (unallocated)*	124,070	-	-	-
	<u>291,065</u>	<u>-</u>	<u>109,302</u>	<u>2,036</u>
Total governmental activities	<u>3,960,966</u>	<u>922,430</u>	<u>660,438</u>	<u>2,036</u>
Business type activities:				
Non-instructional programs:				
Food service operations	145,427	58,646	94,885	-
Total	<u>4,106,393</u>	<u>981,076</u>	<u>755,323</u>	<u>2,036</u>

General Revenues:

Property taxes levied for:
 General purposes
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(580,117)	-	(580,117)
(273,032)	-	(273,032)
(207,352)	-	(207,352)
<u>(1,060,501)</u>	<u>-</u>	<u>(1,060,501)</u>
(47,629)	-	(47,629)
(62,492)	-	(62,492)
(383,725)	-	(383,725)
(337,360)	-	(337,360)
(301,728)	-	(301,728)
<u>(1,132,934)</u>	<u>-</u>	<u>(1,132,934)</u>
(2,900)	-	(2,900)
(27,617)	-	(27,617)
(28,040)	-	(28,040)
-	-	-
<u>(124,070)</u>	<u>-</u>	<u>(124,070)</u>
<u>(179,727)</u>	<u>-</u>	<u>(179,727)</u>
(2,376,062)	-	(2,376,062)
-	8,104	8,104
<u>(2,376,062)</u>	<u>8,104</u>	<u>(2,367,958)</u>
1,232,987	-	1,232,987
29,014	-	29,014
61,635	-	61,635
196,906	-	196,906
901,952	-	901,952
1,882	33	1,915
<u>2,424,376</u>	<u>33</u>	<u>2,424,409</u>
48,314	8,137	56,451
<u>2,498,493</u>	<u>22,573</u>	<u>2,521,066</u>
<u>2,546,807</u>	<u>30,710</u>	<u>2,577,517</u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Management	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	301,339	519,088	369,023	10,721	1,200,171
Receivables:					
Property tax:					
Delinquent	21,954	517	-	-	22,471
Succeeding year	1,202,853	29,903	60,000	-	1,292,756
Interfund receivable	5,787	-	-	-	5,787
Due from other governments	714,614	31,931	-	-	746,545
Total assets	2,246,547	581,439	429,023	10,721	3,267,730
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	423,475	-	-	-	423,475
Salaries and benefits payable	65,035	-	-	-	65,035
Interfund payable	-	-	5,787	-	5,787
Deferred revenue:					
Succeeding year property tax	1,202,853	29,903	60,000	-	1,292,756
Income surtax	61,635	-	-	-	61,635
Total liabilities	1,752,998	29,903	65,787	-	1,848,688
Fund balances:					
Restricted for:					
Categorical funding	99,349	-	-	-	99,349
Debt service	-	175,553	-	-	175,553
Management levy	-	-	363,236	-	363,236
Student activities	-	-	-	10,721	10,721
School infrastructure	-	276,691	-	-	276,691
Physical plant and equipment	-	99,292	-	-	99,292
Unassigned	394,200	-	-	-	394,200
Total fund balances	493,549	551,536	363,236	10,721	1,419,042
Total liabilities and fund balances	2,246,547	581,439	429,023	10,721	3,267,730

ANTHON-OTO 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 (Exhibit C)	1,419,042
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,795,507
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	61,635
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,845)
Long-term liabilities for revenue bonds, termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(722,532)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,546,807</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Capital Projects	Management	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,232,987	225,920	-	-	1,458,907
Tuition	744,749	-	-	-	744,749
Other	146,675	496	402	31,990	179,563
State sources	1,230,274	-	-	-	1,230,274
Federal sources	332,116	2,036	-	-	334,152
Total revenues	<u>3,686,801</u>	<u>228,452</u>	<u>402</u>	<u>31,990</u>	<u>3,947,645</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,584,495	-	11,621	-	1,596,116
Special	564,715	-	-	-	564,715
Other	300,756	-	-	25,097	325,853
	<u>2,449,966</u>	<u>-</u>	<u>11,621</u>	<u>25,097</u>	<u>2,486,684</u>
Support services:					
Student	46,691	-	146	-	46,837
Instructional staff	61,679	-	21	-	61,700
Administration	412,498	-	9,577	-	422,075
Operation and maintenance of plant	313,799	14,333	5,809	-	333,941
Transportation	277,048	-	8,152	-	285,200
	<u>1,111,715</u>	<u>14,333</u>	<u>23,705</u>	<u>-</u>	<u>1,149,753</u>
Non-instructional programs	-	-	2,900	-	2,900
Other expenditures:					
Facilities acquisition	-	29,653	-	-	29,653
Long-term debt:					
Principal	-	-	-	65,000	65,000
Interest and fiscal charges	-	-	-	28,699	28,699
AEA flowthrough	109,302	-	-	-	109,302
	<u>109,302</u>	<u>29,653</u>	<u>-</u>	<u>93,699</u>	<u>232,654</u>
Total expenditures	<u>3,670,983</u>	<u>43,986</u>	<u>38,226</u>	<u>118,796</u>	<u>3,871,991</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,818</u>	<u>184,466</u>	<u>(37,824)</u>	<u>(86,806)</u>	<u>75,654</u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Capital Projects	Management	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	-	-	-	93,699	93,699
Operating transfers out	-	(93,699)	-	-	(93,699)
Total other financing sources (uses)	-	(93,699)	-	93,699	-
Net change in fund balances	15,818	90,767	(37,824)	6,893	75,654
Fund balances beginning of year, as restated	477,731	460,769	401,060	3,828	1,343,388
Fund balances end of year	493,549	551,536	363,236	10,721	1,419,042

ANTHON-OTO 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 (Exhibit E)		75,654
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**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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	53,248	
Depreciation expense	<u>(190,687)</u>	(137,439)

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.

61,635

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

65,000

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

659

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:

Termination benefits	5,787	
Other post employment benefits	<u>(22,982)</u>	<u>(17,195)</u>

Changes in net assets of governmental activities (Exhibit B)48,314

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	10,172
Accounts receivable	1,034
Inventories	5,542
Capital assets, net of accumulated depreciation	<u>15,903</u>
Total assets	<u>32,651</u>
Liabilities	
Deferred revenue	<u>1,941</u>
Net assets	
Invested in capital assets	15,903
Unrestricted	<u>14,807</u>
Total net assets	<u><u>30,710</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>58,646</u>
Operating expenses:	
Non-instructional programs:	
Salaries	55,775
Benefits	8,179
Purchased services	1,229
Supplies	73,236
Depreciation	5,187
Other	1,821
Total operating expenses	<u>145,427</u>
Operating income (loss)	<u>(86,781)</u>
Non-operating revenues:	
State sources	1,277
Federal sources	93,608
Interest income	33
Total non-operating revenues	<u>94,918</u>
Change in net assets	8,137
Net assets beginning of year	<u>22,573</u>
Net assets end of year	<u><u>30,710</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	58,809
Cash payments to employees for services	(63,954)
Cash payments to suppliers for goods or services	(68,502)
Net cash used by operating activities	<u>(73,647)</u>
Cash flows from non-capital financing activities:	
State grants received	1,277
Federal grants received	84,759
Net cash provided by non-capital financing activities	<u>86,036</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(17,872)</u>
Cash flows from investing activities:	
Interest on investments	<u>33</u>
Net increase (decrease) in cash and cash equivalents	(5,450)
Cash and cash equivalents at beginning of year	<u>15,622</u>
Cash and cash equivalents at end of year	<u><u>10,172</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating income (loss)	(86,781)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	8,849
Depreciation	5,187
Decrease (increase) in inventories	(1,065)
Decrease (increase) in accounts receivable	(300)
(Decrease) increase in deferred revenue	463
Net cash used by operating activities	<u><u>(73,647)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$8,849 of federal commodities.

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2011

1. Summary of Significant Accounting Policies

Anthon-Oto Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Anthon and Oto, Iowa and the predominately agricultural territory in a portion of Woodbury 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, Anthon-Oto 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 Anthon-Oto Community School District has no component units that 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 revenues 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 expenditures, including instructional, support and other costs.

The Management Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

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

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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 judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust 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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	3,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Intangibles	3-10 years
Furniture and equipment	3-10 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 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 are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,058,718 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

3. Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Management Fund	5,787

4. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental – Debt Service Fund	Capital Projects Fund	93,699

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	3,073,837	-	-	3,073,837
Improvements other than buildings	188,232	-	-	188,232
Furniture and equipment	931,217	53,248	-	984,465
Total capital assets being deprec.	4,193,286	53,248	-	4,246,534
Less accumulated depreciation for:				
Buildings	1,459,252	122,974	-	1,582,226
Improvements other than buildings	175,351	1,096	-	176,447
Furniture and equipment	635,737	66,617	-	702,354
Total accumulated depreciation	2,270,340	190,687	-	2,461,027
Total capital assets being depreciated, net	1,922,946	(137,439)	-	1,785,507
Governmental activities capital assets, net	1,932,946	(137,439)	-	1,795,507

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	77,608	17,872	-	95,480
Less accumulated depreciation	<u>74,390</u>	<u>5,187</u>	-	<u>79,577</u>
Business type activities capital assets, net	<u>3,218</u>	<u>12,685</u>	-	<u>15,903</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	16,212
Support services:	
Operation and maintenance of plant services	3,127
Transportation	<u>47,278</u>
	66,617
Unallocated depreciation	<u>124,070</u>
Total governmental activities depreciation expense	<u>190,687</u>
Business type activities:	
Food services operations	<u>5,187</u>

6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	705,000	-	65,000	640,000	70,000
Termination benefits	46,494	-	5,787	40,707	7,636
Net OPEB liability	18,843	22,982	-	41,825	-
	<u>770,337</u>	<u>22,982</u>	<u>70,787</u>	<u>722,532</u>	<u>77,636</u>

Termination Benefits

During fiscal year 2010, the District offered a voluntary early retirement plan for employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences.

At June 30, 2011, the District has an obligation to one participant with a total liability of \$40,707. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$5,787.

Revenue Bonds

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

Year Ending June 30,	Bond Issue of July, 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	4.10	70,000	25,947	95,947
2013	4.15	70,000	23,060	93,060
2014	4.20	75,000	20,033	95,033
2015	4.25	80,000	16,758	96,758
2016	4.30	80,000	13,338	93,338
2017-2019	4.35-4.40	265,000	17,689	282,689
		<u>640,000</u>	<u>116,825</u>	<u>756,825</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$900,000 bonds issued in July 2006. The bonds were issued for the purpose of financing a portion of the costs of a new HVAC system. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$756,825. For the current year, \$65,000 of principal and \$28,699 of interest were paid on the bonds and total statewide sales, services and use tax revenues were \$196,906.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- \$90,000 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the local option sales and services tax shall be placed in a revenue account with a trustee. The trustee will make monthly transfers from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund at the end of a quarter may be used for any lawful purpose for which the local option (statewide) sales tax may be used or may be used to redeem the bonds in accordance with their terms. The sinking fund is part of the Capital Projects Fund.

7. Pension and Retirement Benefits

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

Plan members are required to contribute 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 contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$116,598, \$111,650, and \$98,634 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 28 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	26,312
Interest on net OPEB obligation	471
Adjustment to annual required contribution	<u>(1,624)</u>
Annual OPEB cost	25,159
Contributions made	<u>2,177</u>
Increase in net OPEB obligation	22,982
Net OPEB obligation beginning of year	<u>18,843</u>
Net OPEB obligation end of year	<u>41,825</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.

For the year ended June 30, 2011, the District contributed \$2,177 to the medical plan.

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	\$	%	\$
2010	24,522	23%	18,843
2011	25,159	9%	41,825

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 \$228,058, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$228,058. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,200,000, and the ratio of the UAAL to covered payroll was 19%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

9. Risk Management

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$109,302 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.

11. Categorical Funding

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

Program	Amount
	\$
Preschool	34,128
Returning dropout and dropout prevention program	9,509
Core curriculum	13,032
Mentoring	1,300
Math grant	34,397
Educator quality, professional development	2,336
Market factor	4,647
	99,349

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 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
	\$	\$
Balances June 30, 2010, as previously reported	390,574	70,195
Change in fund type classification per implementation of GASB Statement No. 54	70,195	(70,195)
Balances July 1, 2010, as restated	460,769	-

REQUIRED SUPPLEMENTARY INFORMATION

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,383,219	58,679	2,441,898	2,556,002	2,556,002	(114,104)
State sources	1,230,274	1,277	1,231,551	1,374,130	1,374,130	(142,579)
Federal sources	334,152	93,608	427,760	368,000	368,000	59,760
Total revenues	<u>3,947,645</u>	<u>153,564</u>	<u>4,101,209</u>	<u>4,298,132</u>	<u>4,298,132</u>	<u>(196,923)</u>
Expenditures/Expenses:						
Instruction	2,486,684	-	2,486,684	3,940,991	3,940,991	1,454,307
Support services	1,149,753	-	1,149,753	1,257,220	1,257,220	107,467
Non-instructional programs	2,900	145,427	148,327	186,794	186,794	38,467
Other expenditures	232,654	-	232,654	451,665	451,665	219,011
Total expenditures/expenses	<u>3,871,991</u>	<u>145,427</u>	<u>4,017,418</u>	<u>5,836,670</u>	<u>5,836,670</u>	<u>1,819,252</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	75,654	8,137	83,791	(1,538,538)	(1,538,538)	1,622,329
Balance beginning of year	<u>1,343,388</u>	<u>22,573</u>	<u>1,365,961</u>	<u>1,538,538</u>	<u>1,538,538</u>	<u>(172,577)</u>
Balance end of year	<u><u>1,419,042</u></u>	<u><u>30,710</u></u>	<u><u>1,449,752</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,449,752</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, 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 a 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend the budget.

ANTHON-OTO 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	-	224,492	224,492	0.0%	1,220,000	18.4%
2011	July 1, 2009	-	228,058	228,058	0.0%	1,200,000	19.0%

See Note 8 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.

OTHER SUPPLEMENTARY INFORMATION

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

Assets	<u>Special Revenue Student Activity</u> \$	<u>Debt Service</u> \$	<u>Total</u> \$
Cash and pooled investments	10,721	-	10,721
Liabilities & Fund Balances			
Liabilities:	-	-	-
Fund balances:			
Restricted for:			
Student activities	10,721	-	10,721
Total liabilities and fund balances	<u>10,721</u>	<u>-</u>	<u>10,721</u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2011

	<u>Special Revenue</u>		
	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
	\$	\$	\$
Revenues:			
Local sources:			
Other	31,990	-	31,990
Expenditures:			
Current:			
Instruction:			
Other instruction	25,097	-	25,097
Other expenditures:			
Long-term debt:			
Principal	-	65,000	65,000
Interest and fiscal charges	-	28,699	28,699
Total expenditures	25,097	93,699	118,796
Excess (deficiency) of revenues over (under) expenditures	6,893	(93,699)	(86,806)
Other financing sources (uses):			
Operating transfers in	-	93,699	93,699
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	6,893	-	6,893
Fund balances beginning of year, as restated	3,828	-	3,828
Fund balances end of year	10,721	-	10,721

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	Total \$
Assets			
Cash and pooled investments	420,313	98,775	519,088
Receivables:			
Property tax:			
Delinquent	-	517	517
Succeeding year	-	29,903	29,903
Due from other governments	31,931	-	31,931
	<u>452,244</u>	<u>129,195</u>	<u>581,439</u>
Total assets			
	<u>452,244</u>	<u>129,195</u>	<u>581,439</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	29,903	29,903
	<u>-</u>	<u>29,903</u>	<u>29,903</u>
Fund balances:			
Restricted for:			
Debt service	175,553	-	175,553
School infrastructure	276,691	-	276,691
Physical plant and equipment	-	99,292	99,292
Total fund balances	452,244	99,292	551,536
	<u>452,244</u>	<u>99,292</u>	<u>551,536</u>
Total liabilities and fund balances			
	<u>452,244</u>	<u>129,195</u>	<u>581,439</u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	196,906	29,014	225,920
Other	413	83	496
Federal sources	-	2,036	2,036
Total revenues	<u>197,319</u>	<u>31,133</u>	<u>228,452</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	14,333	-	14,333
Other expenditures:			
Facilities acquisition	27,617	2,036	29,653
Total expenditures	<u>41,950</u>	<u>2,036</u>	<u>43,986</u>
Excess (deficiency) of revenues over (under) expenditures	155,369	29,097	184,466
Other financing sources (uses):			
Operating transfers out	<u>(93,699)</u>	-	<u>(93,699)</u>
Net change in fund balance	61,670	29,097	90,767
Fund balances beginning of year, as restated	<u>390,574</u>	<u>70,195</u>	<u>460,769</u>
Fund balance end of year	<u><u>452,244</u></u>	<u><u>99,292</u></u>	<u><u>551,536</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Swing choir	117	425	238	-	304
Instrumental	788	3,495	3,408	-	875
Junior high activity	(2,659)	27,334	20,720	18	3,973
Activity athletic director	2,009	-	50	-	1,959
Student council	201	327	528	-	-
Interest	7	11	-	(18)	-
Elementary activities	3,365	398	153	-	3,610
	<u>3,828</u>	<u>31,990</u>	<u>25,097</u>	<u>-</u>	<u>10,721</u>
Totals	<u>3,828</u>	<u>31,990</u>	<u>25,097</u>	<u>-</u>	<u>10,721</u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	1,458,907	1,446,633	1,417,834	1,370,491	1,408,422	1,279,473	1,227,086	1,317,439
Tuition	744,749	780,857	735,915	735,991	855,075	1,299,271	702,991	643,481
Other	179,563	125,589	165,085	181,079	201,345	152,339	123,932	79,597
State sources	1,230,274	1,182,339	1,384,967	1,440,753	1,343,195	1,390,175	1,228,711	1,163,985
Federal sources	334,152	220,515	142,461	117,796	141,296	128,848	130,233	147,489
Total revenues	<u>3,947,645</u>	<u>3,755,933</u>	<u>3,846,262</u>	<u>3,846,110</u>	<u>3,949,333</u>	<u>4,250,106</u>	<u>3,412,953</u>	<u>3,351,991</u>
Expenditures:								
Instruction:								
Regular instruction	1,596,116	1,700,044	1,949,227	1,696,666	1,789,081	2,071,862	1,648,378	1,610,368
Special instruction	564,715	552,135	511,442	596,685	524,570	434,832	510,793	461,575
Other instruction	325,853	316,070	163,889	196,826	170,018	184,081	66,749	67,291
Support services:								
Student services	46,837	4,311	53,438	49,544	46,774	33,804	30,824	42,480
Instructional staff services	61,700	39,635	79,448	48,156	45,514	313,912	98,295	112,507
Administration services	422,075	346,085	359,457	329,864	358,870	312,796	320,174	262,634
Operation and maintenance	333,941	259,132	258,043	317,861	283,389	241,076	206,743	184,564
Transportation services	285,200	257,208	292,448	324,606	285,770	225,938	173,016	222,870
Non-instructional programs	2,900	2,812	4,164	39,755	2,921	885	3,348	6,525
Other expenditures:								
Facilities acquisition	29,653	61,774	79,415	111,029	1,431,902	146,444	27,695	11,746
Long-term debt:								
Principal	65,000	65,000	75,000	55,000	-	-	-	-
Interest and other charges	28,699	31,315	34,077	36,585	28,223	-	-	-
AEA flowthrough	109,302	110,961	97,765	96,973	93,813	91,809	87,133	88,773
Total expenditures	<u>3,871,991</u>	<u>3,746,482</u>	<u>3,957,813</u>	<u>3,899,550</u>	<u>5,060,845</u>	<u>4,057,439</u>	<u>3,173,148</u>	<u>3,071,333</u>

See accompanying independent auditor's report.

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
Anthon-Oto 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 Anthon-Oto Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 24, 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 Anthon-Oto 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 Anthon-Oto Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Anthon-Oto Community School District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anthon-Oto 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 other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

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.

Anthon-Oto Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Anthon-Oto 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 Anthon-Oto Community School District and other parties to whom Anthon-Oto Community School District may report, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Anthon-Oto 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 24, 2012

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

11-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

11-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer or the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check.

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements (continued):

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- 11-II-A Certified Budget: Expenditures for the year ended June 30, 2011, did not exceed the amount budgeted.
- 11-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 11-II-C Travel Expenses: 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.
- 11-II-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 11-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 11-II-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the board.
- 11-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 11-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 11-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 11-II-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Department of Education.
- 11-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting (continued):

Beginning balance	\$	\$	390,574
Revenues/transfers in:			
Statewide sales, services and use tax revenue	196,906		
Interest	<u>413</u>		197,319
Expenditures/transfers out:			
School infrastructure construction	40,450		
Other	1,500		
Transfers to debt service fund	<u>93,699</u>		<u>135,649</u>
Ending balance			<u><u>452,244</u></u>

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