

A-H-S-T COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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A-H-S-T Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kelly Allen	President	2013
Bernadette Hatch	Vice President	2013
William Hardisty	Board Member	2013
Keith Holtz	Board Member	2013
Allen Cordes	Board Member	2011
Alan Sieh	Board Member	2011
Tony Denning	Board Member	2011
School Officials		
Mark Hopkins	Superintendent	2011
Nancy Collins	District Secretary/Treasurer and Business Manager	2011
Brian Gruhn	Attorney	2011

A-H-S-T Community School District

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the A-H-S-T Community School District, Avoca, Iowa as of and for the year ended June 30, 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 the A-H-S-T Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2012 on our consideration of the A-H-S-T Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise A-H-S-T Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson PC". The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

A-H-S-T Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$6,017,554 in fiscal 2010 to \$6,405,098 in fiscal 2011, while General Fund expenditures decreased from \$6,121,959 in fiscal 2010 to \$5,840,902 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$747,278 in fiscal 2010 to a balance of \$1,311,474 in fiscal 2011, a 75.50% increase from the prior year.
- The increase in General Fund revenues was attributable primarily to an increase in local revenues in fiscal 2011. The decrease in expenditures was due primarily to decreases in support services expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of A-H-S-T Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report A-H-S-T Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which A-H-S-T Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

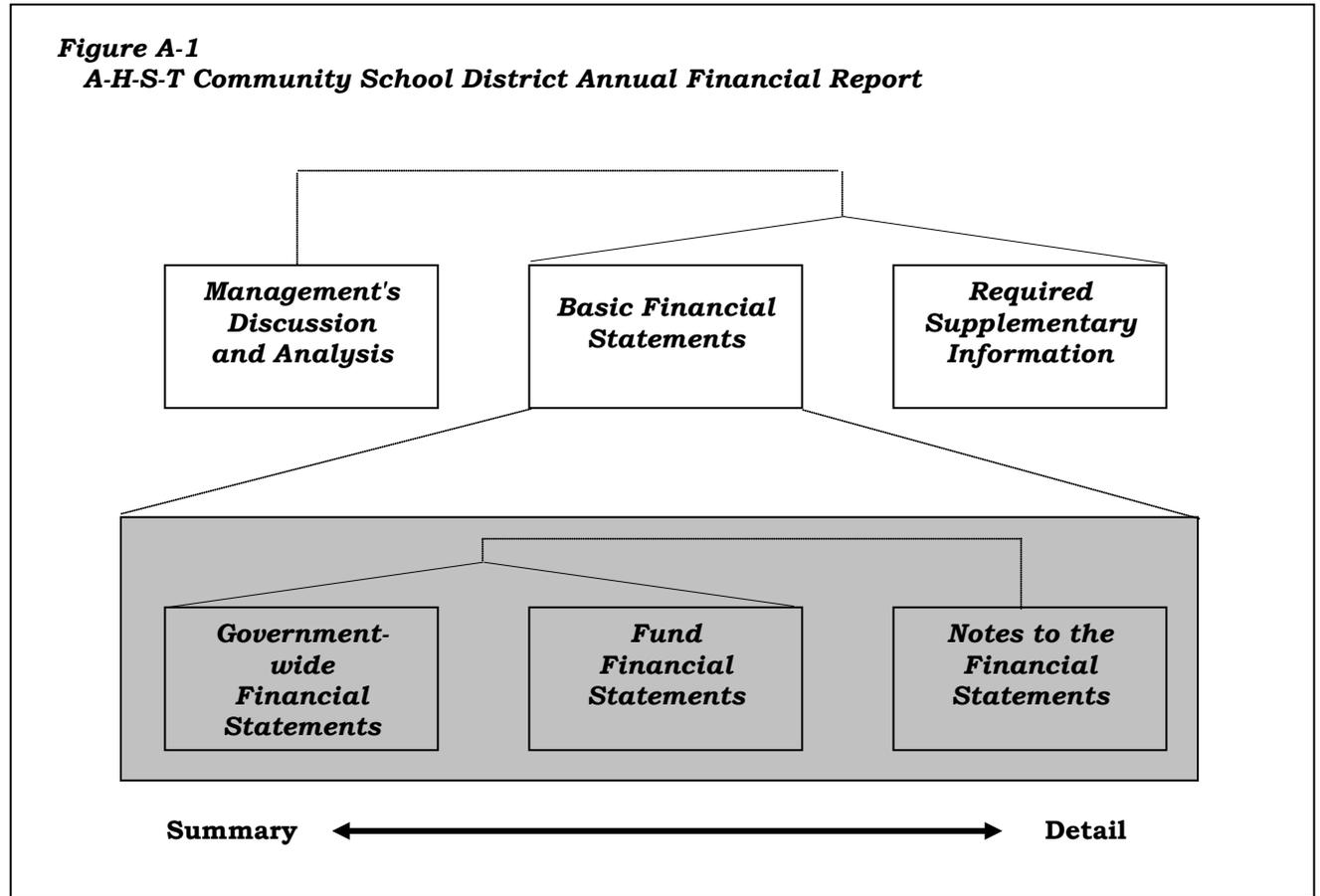


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects Fund and Special Revenue Funds.

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation's between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 7,032,008	6,393,307	52,606	54,268	7,084,614	6,447,575	9.88%
Capital assets	9,687,969	9,553,347	83,682	109,180	9,771,651	9,662,527	1.13%
Total assets	16,719,977	15,946,654	136,288	163,448	16,856,265	16,110,102	4.63%
Long-term obligations	6,425,366	6,934,395	0	0	6,425,366	6,934,395	-7.34%
Other liabilities	4,012,964	3,833,203	8,439	9,031	4,021,403	3,842,234	4.66%
Total liabilities	10,438,330	10,767,598	8,439	9,031	10,446,769	10,776,629	-3.06%
Net assets:							
Invested in capital assets, net of related debt	3,497,528	2,728,594	83,682	109,180	3,581,210	2,837,774	26.20%
Restricted	1,620,518	1,801,058	0	0	1,620,518	1,801,058	-10.02%
Unrestricted	1,163,601	649,404	44,167	45,237	1,207,768	694,641	73.87%
Total net assets	\$ 6,281,647	5,179,056	127,849	154,417	6,409,496	5,333,473	20.17%

The District's combined net assets increased by \$1,076,023, or 20.17% 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 decreased by \$180,540, or 10.02%. The decrease in restricted net assets is a result of a decrease in the fund balance of the Capital Projects: Statewide Sale, Services and Use Tax fund.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$513,127, or 73.87%. This increase in unrestricted net assets is due primarily to the increase in the fund balance of the General Fund.

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

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total Change
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 428,808	327,264	133,247	144,878	562,055	472,142	19.04%
Operating grants, contributions and restricted interest	699,280	1,265,514	133,437	125,518	832,717	1,391,032	-40.14%
Capital grants, contributions and restricted interest	146,000	50,517	0	0	146,000	50,517	189.01%
General revenues and transfers:							
Property tax	3,044,846	2,644,228	0	0	3,044,846	2,644,228	15.15%
Income surtax	199,217	293,028	0	0	199,217	293,028	-32.01%
Statewide sales, services and use tax	562,175	513,975	0	0	562,175	513,975	9.38%
Unrestricted state grants	2,533,303	2,150,734	0	0	2,533,303	2,150,734	17.79%
Nonspecific program federal grants	90,086	0	0	0	90,086	0	100.00%
Other general revenue	151,688	274,427	1,414	1,414	153,102	275,841	-44.50%
Transfers	0	(13,044)	0	13,044	0	0	0.00%
Total revenues	<u>7,855,403</u>	<u>7,506,643</u>	<u>268,098</u>	<u>284,854</u>	<u>8,123,501</u>	<u>7,791,497</u>	<u>4.26%</u>
Program expenses:							
Governmental activities:							
Instruction	4,568,066	4,901,455	0	0	4,568,066	4,901,455	-6.80%
Support services	1,410,407	1,736,394	5,842	5,092	1,416,249	1,741,486	-18.68%
Non-instructional programs	0	0	288,824	255,297	288,824	255,297	13.13%
Other expenses	774,339	831,284	0	0	774,339	831,284	-6.85%
Total expenses	<u>6,752,812</u>	<u>7,469,133</u>	<u>294,666</u>	<u>260,389</u>	<u>7,047,478</u>	<u>7,729,522</u>	<u>-8.82%</u>
Change in net assets	1,102,591	37,510	(26,568)	24,465	1,076,023	61,975	-1636.22%
Net assets beginning of year, as restated	<u>5,179,056</u>	<u>5,141,546</u>	<u>154,417</u>	<u>129,952</u>	<u>5,333,473</u>	<u>5,271,498</u>	<u>1.18%</u>
Net assets end of year	<u>\$ 6,281,647</u>	<u>5,179,056</u>	<u>127,849</u>	<u>154,417</u>	<u>6,409,496</u>	<u>5,333,473</u>	<u>20.17%</u>

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 80.70% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.47% of the revenue from business type activities.

The District's total revenues were approximately \$8.13 million, of which approximately \$7.86 million was for governmental activities and approximately \$0.27 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.26% increase in revenues and a 8.82% decrease in expenses. The decrease in expenses related primarily to a decrease in support services expenditures.

Governmental Activities

Revenues for governmental activities were \$7,855,403 and expenses were \$6,752,812. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 4,568,066	4,901,455	-6.80%	3,702,238	3,570,628	3.69%
Support services	1,410,407	1,736,394	-18.77%	1,264,407	1,734,894	-27.12%
Other expenses	774,339	831,284	-6.85%	512,079	520,316	-1.58%
Totals	\$ 6,752,812	7,469,133	-9.59%	5,478,724	5,825,838	-5.96%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$428,808.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$845,280.
- The net cost of governmental activities was financed with \$3,044,846 in property tax, \$199,217 in income surtax, \$562,175 in statewide sales, services and use tax, \$2,533,303 in unrestricted state grants, \$90,086 in nonspecific program federal grants, \$2,949 in interest income and \$148,739 in other general revenues net of transfers.

Business type Activities

Revenues of the District's business type activities were \$268,098 and expenses were \$294,666. The District's business type activity is the School Nutrition Fund and the Child Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the A-H-S-T Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,868,274, compared to last year's ending fund balances of a \$2,388,667.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Increased revenues combined with decreased expenditures for the year caused the increase of the fund balance.
- The Capital Projects Fund balance decreased from \$771,584 in fiscal 2010 to \$645,056 in fiscal 2011. The decrease was due to the expenditures outpacing revenues during the year. The District implemented GASB Statement No. 54 which reclassified the Physical Plant and Equipment Levy Fund as a Capital Project Fund.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$157,001 at June 30, 2010 to \$127,486 at June 30, 2011, representing a decrease of 18.80%.

The District's daycare completed its third year of operation. For the year ended June 30, 2011, the fund improved to a positive balance of \$363 as compared to a deficit fund balance of \$2,584 for the year ended June 30, 2010.

BUDGETARY HIGHLIGHTS

The District's revenues were \$329,407 more than budgeted revenues, a variance of 4.21%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional program expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$9,771,651, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.13% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$371,647.

The original cost of the District's capital assets was \$12,536,384. Governmental funds account for \$12,409,723 with the remainder of \$126,661 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$1,146,601 at June 30, 2011, compared to \$841,952 reported at June 30, 2010. This increase resulted from the addition of the new track during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 301,028	301,028	0	0	301,028	301,028	0.00%
Buildings	8,076,996	8,226,753	0	0	8,076,996	8,226,753	-1.82%
Land improvements	1,146,601	841,952	0	0	1,146,601	841,952	36.18%
Machinery and equipment	163,344	183,614	83,682	109,180	247,026	292,794	-15.63%
Total	\$ 9,687,969	9,553,347	83,682	109,180	9,771,651	9,662,527	1.13%

Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$6,425,366 in other long-term debt outstanding. This represents a decrease of 7.34% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$4,925,000 at June 30, 2011.

The District also had outstanding revenue bonds of \$995,000 at June 30, 2011.

At June 30, 2011, the District had an outstanding lease obligation of \$270,441.

The District had outstanding early retirement payable from the General and Special Revenue, Management Funds of \$184,845 at June 30, 2011.

During its initial year of recording net OPEB liability in accordance with GASB Statement No. 45, the District disclosed a balance of \$50,080 at June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2011	2010	2009-10
General obligation bonds	\$ 4,925,000	5,135,000	-4.09%
Revenue bonds	995,000	1,290,000	-22.87%
Computer lease	270,441	405,661	100.00%
Early retirement	184,845	78,003	136.97%
Net OPEB liability	50,080	25,731	100.00%
Total	<u>\$ 6,425,366</u>	<u>6,934,395</u>	<u>-7.34%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and explore new sources of revenues. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.
- On July 1, 2011, the IPERS increase to 8.07% will increase the A-H-S-T Community Schools employer benefits costs during fiscal 2012. An additional increase to 8.67% is anticipated for FY13.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nancy Collins, District Secretary/Treasurer and Business Manager, A-H-S-T Community School District, P.O. Box 158, Avoca, Iowa, 51521.

BASIC FINANCIAL STATEMENTS

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 3,426,419	51,647	3,478,066
Receivables:			
Property tax:			
Delinquent	30,990	0	30,990
Succeeding year	3,119,459	0	3,119,459
Income surtax	186,235	0	186,235
Due from other governments	268,905	0	268,905
Inventories	0	959	959
Capital assets, net of accumulated depreciation	9,687,969	83,682	9,771,651
TOTAL ASSETS	16,719,977	136,288	16,856,265
LIABILITIES			
Accounts payable	262,892	0	262,892
Salaries and benefits payable	494,169	5,233	499,402
Interest payable	35,465	0	35,465
Deferred revenue:			
Succeeding year property tax	3,119,459	0	3,119,459
Other	100,979	0	100,979
Unearned revenue	0	3,206	3,206
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	220,000	0	220,000
Revenue bonds payable	305,000	0	305,000
Computer lease	135,220	0	135,220
Early retirement	84,845	0	84,845
Portion due after one year:			
General obligation bonds payable	4,705,000	0	4,705,000
Revenue bonds payable	690,000	0	690,000
Computer lease	135,221	0	135,221
Early retirement	100,000	0	100,000
Net OPEB liability	50,080	0	50,080
TOTAL LIABILITIES	10,438,330	8,439	10,446,769
NET ASSETS			
Invested in capital assets, net of related debt	3,497,528	83,682	3,581,210
Restricted for:			
Categorical funding	244,548	0	244,548
Management levy purposes	177,118	0	177,118
Student activities	53,359	0	53,359
School infrastructure	433,391	0	433,391
Physical plant and equipment	211,665	0	211,665
Debt service	500,437	0	500,437
Unrestricted	1,163,601	44,167	1,207,768
TOTAL NET ASSETS	\$ 6,281,647	127,849	6,409,496

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,055,792	220,717	219,005	0	(2,616,070)	0	(2,616,070)
Special	726,176	50,098	80,286	0	(595,792)	0	(595,792)
Other	786,098	157,993	137,729	0	(490,376)	0	(490,376)
	<u>4,568,066</u>	<u>428,808</u>	<u>437,020</u>	<u>0</u>	<u>(3,702,238)</u>	<u>0</u>	<u>(3,702,238)</u>
Support services:							
Student	39,188	0	0	0	(39,188)	0	(39,188)
Instructional	79,901	0	0	0	(79,901)	0	(79,901)
Administration	620,042	0	0	0	(620,042)	0	(620,042)
Operation and maintenance of plant	434,175	0	0	146,000	(288,175)	0	(288,175)
Transportation	237,101	0	0	0	(237,101)	0	(237,101)
	<u>1,410,407</u>	<u>0</u>	<u>0</u>	<u>146,000</u>	<u>(1,264,407)</u>	<u>0</u>	<u>(1,264,407)</u>
Other expenditures:							
Long-term debt interest	245,428	0	0	0	(245,428)	0	(245,428)
AEA flowthrough	262,260	0	262,260	0	0	0	0
Depreciation(unallocated)*	266,651	0	0	0	(266,651)	0	(266,651)
	<u>774,339</u>	<u>0</u>	<u>262,260</u>	<u>0</u>	<u>(512,079)</u>	<u>0</u>	<u>(512,079)</u>
Total governmental activities	6,752,812	428,808	699,280	146,000	(5,478,724)	0	(5,478,724)
Business Type activities:							
Support services:							
Operation and maintenance of plant	5,842	0	0	0	0	(5,842)	(5,842)
	<u>5,842</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,842)</u>	<u>(5,842)</u>
Non-instructional programs:							
Nutrition services	283,025	124,760	133,178	0	0	(25,087)	(25,087)
Child care	5,799	8,487	259	0	0	2,947	2,947
	<u>288,824</u>	<u>133,247</u>	<u>133,437</u>	<u>0</u>	<u>0</u>	<u>(22,140)</u>	<u>(22,140)</u>
Total business type activities	294,666	133,247	133,437	0	0	(27,982)	(27,982)
Total	\$ 7,047,478	562,055	832,717	146,000	(5,478,724)	(27,982)	(5,506,706)
General Revenues and Transfers:							
General revenues:							
Property tax levied for:							
General purposes				\$ 2,530,563	0	2,530,563	
Capital outlay				84,077	0	84,077	
Debt service				430,206	0	430,206	
Income surtax				199,217	0	199,217	
Statewide sales, services and use tax				562,175	0	562,175	
Unrestricted state grants				2,533,303	0	2,533,303	
Nonspecific program federal grants				90,086	0	90,086	
Unrestricted investment earnings				2,949	0	2,949	
Other general revenues				148,739	1,414	150,153	
Total general revenues and transfers				<u>6,581,315</u>	<u>1,414</u>	<u>6,582,729</u>	
Changes in net assets				1,102,591	(26,568)	1,076,023	
Net assets beginning of year				5,179,056	154,417	5,333,473	
Net assets end of year				<u>\$ 6,281,647</u>	<u>127,849</u>	<u>6,409,496</u>	

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 2,012,963	503,883	496,338	413,235	3,426,419
Receivables:					
Property tax:					
Delinquent	25,060	801	4,099	1,030	30,990
Succeeding year	2,511,441	88,380	419,638	100,000	3,119,459
Income surtax	186,235	0	0	0	186,235
Due from other governments	128,069	140,795	0	41	268,905
TOTAL ASSETS	\$ 4,863,768	733,859	920,075	514,306	7,032,008
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 259,967	423	0	2,502	262,892
Salaries and benefits payable	493,672	0	0	497	494,169
Deferred revenue:					
Succeeding year property tax	2,511,441	88,380	419,638	100,000	3,119,459
Income surtax	186,235	0	0	0	186,235
Other	100,979	0	0	0	100,979
Total liabilities	<u>3,552,294</u>	<u>88,803</u>	<u>419,638</u>	<u>102,999</u>	<u>4,163,734</u>
Fund balances:					
Restricted for:					
Categorical funding	244,548	0	0	0	244,548
Management levy purposes	0	0	0	361,963	361,963
Student activities	0	0	0	53,359	53,359
School infrastructure	0	433,391	0	0	433,391
Physical plant and equipment	0	211,665	0	0	211,665
Debt service	0	0	500,437	0	500,437
Unassigned:					
General	1,066,926	0	0	0	1,066,926
Student activities	0	0	0	(4,015)	(4,015)
Total fund balances	<u>1,311,474</u>	<u>645,056</u>	<u>500,437</u>	<u>411,307</u>	<u>2,868,274</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,863,768	733,859	920,075	514,306	7,032,008

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$ 2,868,274
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,687,969
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(35,465)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	186,235
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, computer lease payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,425,366)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 6,281,647</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,656,358	646,252	430,206	99,951	3,832,767
Tuition	256,222	0	0	0	256,222
Other	169,649	146,598	282	153,745	470,274
Intermediate sources	63,154	0	0	0	63,154
State sources	2,924,331	0	0	0	2,924,331
Federal sources	335,184	0	0	0	335,184
Total revenues	6,404,898	792,850	430,488	253,696	7,881,932
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,874,237	1,791	0	39,321	2,915,349
Special	726,176	0	0	0	726,176
Other	645,354	0	0	130,871	776,225
	4,245,767	1,791	0	170,192	4,417,750
Support services:					
Student	39,188	0	0	0	39,188
Instructional	79,475	0	0	0	79,475
Administration	583,344	0	0	30,050	613,394
Operation and maintenance of plant	358,096	37,444	0	21,659	417,199
Transportation	247,371	0	0	6,794	254,165
	1,307,474	37,444	0	58,503	1,403,421
Other expenditures:					
Facilities acquisitions	0	427,584	0	0	427,584
Long-term debt:					
Principal	0	0	640,220	0	640,220
Interest and fiscal charges	0	0	251,290	0	251,290
AEA flowthrough	262,260	0	0	0	262,260
	262,260	427,584	891,510	0	1,581,354
Total expenditures	5,815,501	466,819	891,510	228,695	7,402,525
Excess(Deficiency) of revenues over(under) expenditures	589,397	326,031	(461,022)	25,001	479,407
Other financing sources(uses):					
Transfers in	0	0	477,960	0	477,960
Transfers out	(25,401)	(452,559)	0	0	(477,960)
Sale of equipment	200	0	0	0	200
Total other financing sources(uses)	(25,201)	(452,559)	477,960	0	200
Net change in fund balances	564,196	(126,528)	16,938	25,001	479,607
Fund balances beginning of year, as restated	747,278	771,584	483,499	386,306	2,388,667
Fund balances end of year	\$ 1,311,474	645,056	500,437	411,307	2,868,274

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22)		\$ 479,607
 Amounts reported for governmental activities in the statement of activities are different because:		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 496,592	
Depreciation expense	<u>(361,970)</u>	134,622
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		5,862
 Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:		
Repaid		640,220
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(26,529)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.		
Early retirement	(106,842)	
Other postemployment benefits	<u>(24,349)</u>	<u>(131,191)</u>
 Changes in net assets of governmental activities(page 19)		 \$ <u><u>1,102,591</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	School Nutrition	Child Care	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 51,284	363	51,647
Inventories	959	0	959
Total current assets	52,243	363	52,606
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation	83,682	0	83,682
Total non-current assets	83,682	0	83,682
TOTAL ASSETS	135,925	363	136,288
LIABILITIES			
Current liabilities:			
Salaries and benefits payable	5,233	0	5,233
Unearned revenue	3,206	0	3,206
Total current liabilities	8,439	0	8,439
TOTAL LIABILITIES	8,439	0	8,439
NET ASSETS			
Invested in capital assets	83,682	0	83,682
Unrestricted	43,804	363	44,167
TOTAL NET ASSETS	\$ 127,486	363	127,849

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Child Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 124,760	8,487	133,247
Miscellaneous	1,414	0	1,414
TOTAL OPERATING REVENUES	126,174	8,487	134,661
OPERATING EXPENSES:			
Support services:			
Operation and maintenance of plant:			
Services	5,842	0	5,842
Non-instructional programs:			
Food service operations:			
Salaries	75,530	0	75,530
Benefits	10,381	0	10,381
Services	57	0	57
Supplies	155,921	0	155,921
Depreciation	9,677	0	9,677
Other	2,718	0	2,718
	254,284	0	254,284
Community service operations:			
Salaries	0	4,592	4,592
Benefits	0	351	351
Supplies	0	856	856
	0	5,799	5,799
TOTAL OPERATING EXPENSES	260,126	5,799	265,925
OPERATING INCOME(LOSS)	(133,952)	2,688	(131,264)
NON-OPERATING REVENUES(EXPENSES):			
Loss on disposal of assets	(28,741)	0	(28,741)
State sources	2,711	0	2,711
Federal sources	130,467	259	130,726
TOTAL NON-OPERATING REVENUES(EXPENSES)	104,437	259	104,696
Change in net assets	(29,515)	2,947	(26,568)
Net assets beginning of year	157,001	(2,584)	154,417
Net assets end of year	\$ 127,486	363	127,849

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Child Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 125,255	0	125,255
Cash received from miscellaneous operating activities	1,414	8,487	9,901
Cash payments to employees for services	(86,998)	(4,943)	(91,941)
Cash payments to suppliers for goods or services	(151,723)	(856)	(152,579)
Net cash provided by(used in) operating activities	<u>(112,052)</u>	<u>2,688</u>	<u>(109,364)</u>
Cash flows from non-capital financing activities:			
State grants received	2,711	0	2,711
Federal grants received	117,036	259	117,295
Net cash provided by non-capital financing activities	<u>119,747</u>	<u>259</u>	<u>120,006</u>
Cash flows from capital financing activities:			
Acquisition of capital assets	(12,920)	0	(12,920)
Net increase(decrease) in cash and cash equivalents	(5,225)	2,947	(2,278)
Cash and cash equivalents at beginning of year	56,509	(2,584)	53,925
Cash and cash equivalents at end of year	<u>\$ 51,284</u>	<u>363</u>	<u>51,647</u>
Reconciliation of operating income(loss) to net cash used in operating activities:			
Operating income(loss)	\$ (133,952)	2,688	(131,264)
Adjustments to reconcile operating income(loss) to net cash used in operating activities:			
Commodities consumed	13,431	0	13,431
Depreciation	9,677	0	9,677
Increase in inventories	(616)	0	(616)
Decrease in salaries and benefits payable	(1,087)	0	(1,087)
Increase in unearned revenue	495	0	495
Net cash provided by(used in) operating activities	<u>\$ (112,052)</u>	<u>2,688</u>	<u>(109,364)</u>

During the year ended June 30, 2011, the District received \$13,431 of federal commodities.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2011

	Private Purpose Trust Scholarships
ASSETS	
Cash and pooled investments	\$ 477,483
LIABILITIES	0
NET ASSETS	
Resricted for scholarships	\$ 477,483

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Scholarships
Additions:	
Local sources:	
Interest income	\$ 12,173
Deductions:	
Non-instructional programs:	
Scholarship awarded	12,769
Change in net assets	(596)
Net assets beginning of year	478,079
Net assets end of year	\$ 477,483

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

The A-H-S-T Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Avoca, Iowa, and the predominate agricultural territory in Shelby, Harrison, and Pottawattmie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, A-H-S-T Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The A-H-S-T Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. The amount of any unused bond proceeds for construction projects are added back to arrive at the final invested in capital assets number.

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following proprietary fund:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for the day care service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, District expenditures in the non-instructional functional area exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

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

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$479,217 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) **Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Statewide Sales, Services and Use Tax	\$ 432,350
Debt Service	Capital Projects, Physical Plant and Equipment Levy	20,209
Debt Service	General	<u>25,401</u>
Total		<u>\$ 477,960</u>

The transfers from Capital Projects, Statewide Sales, Services and Use Tax Fund to Debt Service Fund was needed for general obligation bond and revenue bond principal and interest payments; as well as part of the principal payment of the computer lease.

The transfers from Capital Projects, Physical Plant and Equipment Levy and General Fund to Debt Service Fund were needed for part of the principal payment of the computer lease.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.20% plus the one-month LIBOR rate, adjusted daily. A summary of the District's ISCAP activity for the year is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2010-11A	6/25/10	6/23/11	\$ 0	300,000	300,000	0

During the year ended June 30, 2011, the district paid \$970 of interest on the ISCAP warrants.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 301,028	0	0	301,028
Total capital assets not being depreciated	301,028	0	0	301,028
Capital assets being depreciated:				
Buildings	9,731,566	42,500	0	9,774,066
Land improvements	1,122,387	379,043	0	1,501,430
Machinery and equipment	830,540	75,049	72,390	833,199
Total capital assets being depreciated	11,684,493	496,592	72,390	12,108,695
Less accumulated depreciation for:				
Buildings	1,504,813	192,257	0	1,697,070
Land improvements	280,435	74,394	0	354,829
Machinery and equipment	646,926	95,319	72,390	669,855
Total accumulated depreciation	2,432,174	361,970	72,390	2,721,754
Total capital assets being depreciated, net	9,252,319	134,622	0	9,386,941
Governmental activities capital assets, net	\$ 9,553,347	134,622	0	9,687,969

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 281,221	12,920	167,480	126,661
Less accumulated depreciation	172,041	9,677	138,739	42,979
Business type activities capital assets, net	<u>\$ 109,180</u>	<u>3,243</u>	<u>28,741</u>	<u>83,682</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 11,089
Other		15,068
Support services:		
Administration		5,732
Operation and maintenance of plant		10,640
Transportation		52,790
		<u>95,319</u>
Unallocated depreciation		266,651
		<u>361,970</u>
Total governmental activities depreciation expense		\$ 361,970
Business type activities:		
Food services		<u>9,677</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,135,000	0	210,000	4,925,000	220,000
Revenue bonds	1,290,000	0	295,000	995,000	305,000
Computer lease	405,661	0	135,220	270,441	135,220
Early retirement	78,003	150,000	43,158	184,845	84,845
Net OPEB liability	25,731	24,349	0	50,080	0
Total	<u>\$ 6,934,395</u>	<u>174,349</u>	<u>683,378</u>	<u>6,425,366</u>	<u>745,065</u>

General Obligation Bonds

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

Year Ending June 30,	Interest Rate	Bond issue December 3, 2007		
		Principal	Interest	Total
2012	4.000	% \$ 220,000	199,137	419,137
2013	4.000	230,000	190,338	420,338
2014	4.000	240,000	181,137	421,137
2015	4.000	250,000	171,538	421,538
2016	4.000	260,000	161,537	421,537
2017-2021	4.000	1,480,000	642,288	2,122,288
2022-2026	4.000-4.125	1,830,000	317,957	2,147,957
2027	4.150	415,000	17,223	432,223
Total		<u>\$ 4,925,000</u>	<u>1,881,155</u>	<u>6,806,155</u>

Revenue Bonds

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

Year Ending June 30,	Interest Rate	Bond issue June 27, 2008		
		Principal	Interest	Total
2012	3.50	% \$ 305,000	32,402	337,402
2013	3.70	320,000	21,145	341,145
2014	3.90	110,000	13,080	123,080
2015	4.00	50,000	9,935	59,935
2016	4.10	50,000	7,910	57,910
2017-2019	4.10-4.40	160,000	10,648	170,648
Total		<u>\$ 995,000</u>	<u>95,120</u>	<u>1,090,120</u>

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$1,575,000 bonds issued in June 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 70.1% of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,090,120. For the current year, interest of \$42,903 was paid on the bonds and local option (statewide) sales and services tax revenues were \$562,175.

Computer Lease

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

Year Ending June 30,	Computer Lease
	Principal
2012	\$ 135,220
2013	135,221
Total	<u>\$ 270,441</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-seven and must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a specified amount based on the age during the year of retirement. Early retirement benefits paid during the year ended June 30, 2011, totaled \$43,158.

(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 contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$216,847, \$213,480, and \$194,223 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 benefits for retirees and their spouses. There are 56 active and 4 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$ 32,647
Interest on net OPEB obligation	643
Adjustment to annual required contribution	(2,712)
Annual OPEB cost	<u>30,578</u>
Contributions made	(6,229)
Increase in net OPEB obligation	<u>24,349</u>
Net OPEB obligation beginning of year	<u>25,731</u>
Net OPEB obligation end of year	<u>\$ 50,080</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 \$6,229 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	\$30,303	15.09%	\$25,731
2011	30,578	20.37%	50,080

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 \$280,360, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$280,360. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,358,015 and the ratio of the UAAL to covered payroll was 11.89%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$262,260 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) Deficit Fund Balance

At June 30, 2011, the Student Activity Fund had an unassigned fund balance of \$4,015.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2011, expenditures in the non-instructional functional areas exceeded the amounts budgeted.

(13) Categorical Funding

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

Project	Amount
Home School Assistance Program	\$ 1,748
Gifted and Talented Program	68,446
Returning Dropouts and Dropout Prevention Programs	109,978
Four-year-old Preschool State Aid	8,077
Teacher Salary Supplement	29,109
Early Childhood	3,775
Beginning Administrator Mentoring and Induction Program	750
Professional Development for Model Core Curriculum	22,665
Total	<u>\$ 244,548</u>

(14) Accounting Change/Restatement

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

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 622,204	149,380
Change in fund type classifications per implementation of GASB Statement No. 54	149,380	(149,380)
Balances July 1, 2010, as restated	<u>\$ 771,584</u>	<u>0</u>

REQUIRED SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,559,263	134,661	4,693,924	4,257,789	4,257,789	436,135
Intermediate sources	63,154	0	63,154	50,400	50,400	12,754
State sources	2,924,331	2,711	2,927,042	3,352,434	3,352,434	(425,392)
Federal sources	335,184	130,726	465,910	160,000	160,000	305,910
Total revenues	<u>7,881,932</u>	<u>268,098</u>	<u>8,150,030</u>	<u>7,820,623</u>	<u>7,820,623</u>	<u>329,407</u>
Expenditures/Expenses:						
Instruction	4,417,750	0	4,417,750	4,557,271	4,557,271	139,521
Support services	1,403,421	5,842	1,409,263	2,335,695	2,335,695	926,432
Non-instructional programs	0	288,824	288,824	188,000	188,000	(100,824)
Other expenditures	1,581,354	0	1,581,354	1,759,214	1,759,214	177,860
Total expenditures/expenses	<u>7,402,525</u>	<u>294,666</u>	<u>7,697,191</u>	<u>8,840,180</u>	<u>8,840,180</u>	<u>1,142,989</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	479,407	(26,568)	452,839	(1,019,557)	(1,019,557)	1,472,396
Other financing sources, net	200	0	200	2,500	2,500	(2,300)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	479,607	(26,568)	453,039	(1,017,057)	(1,017,057)	1,470,096
Balance beginning of year	2,388,667	154,417	2,543,084	1,386,091	1,386,091	1,156,993
Balance end of year	<u>\$ 2,868,274</u>	<u>127,849</u>	<u>2,996,123</u>	<u>369,034</u>	<u>369,034</u>	<u>2,627,089</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

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

During the year ended June 30, 2011, expenditures in the non-instructional functional area exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 280,360	280,360	0.00%	\$ 2,574,815	10.89%
2011	July 1, 2009	-	280,360	280,360	0.00%	2,358,015	11.89%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 363,435	49,800	413,235
Receivables:			
Property tax:			
Delinquent	1,030	0	1,030
Succeeding year	100,000	0	100,000
Due from other governments	0	41	41
TOTAL ASSETS	\$ 464,465	49,841	514,306
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,502	0	2,502
Salaries and benefits payable	0	497	497
Deferred revenue:			
Succeeding year property tax	100,000	0	100,000
Total liabilities	102,502	497	102,999
Fund balances:			
Restricted for:			
Management levy purposes	361,963	0	361,963
Student activities	0	53,359	53,359
Unassigned	0	(4,015)	(4,015)
Total fund balances	361,963	49,344	411,307
TOTAL LIABILITIES AND FUND BALANCES	\$ 464,465	49,841	514,306

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 99,951	0	99,951
Other	13,495	140,250	153,745
TOTAL REVENUES	113,446	140,250	253,696
EXPENDITURES:			
Current:			
Instruction:			
Regular	39,321	0	39,321
Other	0	130,871	130,871
Support services:			
Administration	30,050	0	30,050
Operation and maintenance of plant	21,659	0	21,659
Transportation	6,794	0	6,794
TOTAL EXPENDITURES	97,824	130,871	228,695
Excess of revenues over expenditures	15,622	9,379	25,001
Fund balances beginning of year, as restated	346,341	39,965	386,306
Fund balances end of year	\$ 361,963	49,344	411,307

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 293,019	210,864	503,883
Receivables:			
Property tax:			
Delinquent	0	801	801
Succeeding year	0	88,380	88,380
Due from other governments	140,795	0	140,795
TOTAL ASSETS	\$ 433,814	300,045	733,859
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 423	0	423
Deferred revenue:			
Succeeding year property tax	0	88,380	88,380
Total liabilities	423	88,380	88,803
Fund balances:			
Restricted for:			
School infrastructure	433,391	0	433,391
Physical plant and equipment	0	211,665	211,665
Total fund balances	433,391	211,665	645,056
TOTAL LIABILITIES AND FUND BALANCES	\$ 433,814	300,045	733,859

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2011

	Building Projects	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 0	562,175	84,077	646,252
Other	115	146,275	208	146,598
TOTAL REVENUES	115	708,450	84,285	792,850
EXPENDITURES:				
Current:				
Instruction:				
Regular	0	0	1,791	1,791
Support services:				
Operation and maintainance of plant	0	37,444	0	37,444
Other expenditures:				
Facilities acquisitions	6,023	421,561	0	427,584
TOTAL EXPENDITURES	6,023	459,005	1,791	466,819
Excess(Deficiency) of revenues over(under) expenditures	(5,908)	249,445	82,494	326,031
Other financing uses:				
Transfers out	0	(432,350)	(20,209)	(452,559)
Net change in fund balances	(5,908)	(182,905)	62,285	(126,528)
Fund balances beginning of year, as restated	5,908	616,296	149,380	771,584
Fund balances end of year	\$ 0	433,391	211,665	645,056

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 10	0	10	0
Drama	1,759	6,310	6,622	1,447
Show choir	1,739	2,455	762	3,432
General athletics	(325)	5,695	473	4,897
Golf	(1,924)	1,924	0	0
Cheerleaders-fb	(527)	1,235	0	708
Boys basketball	(1,301)	12,176	10,801	74
Football	12,454	11,327	21,951	1,830
Baseball	3,147	7,566	7,915	2,798
Track/CC	(6,932)	13,035	6,062	41
Wrestling	(4,338)	4,379	0	41
Girls basketball	2,742	0	2,598	144
Volleyball	614	7,848	10,523	(2,061)
Softball	4,669	6,419	6,573	4,515
Annuals	(3,831)	2,250	373	(1,954)
FCCLA	2,653	9,282	9,461	2,474
H.S. Faculty	198	0	198	0
Drill team	200	0	6	194
National honor society	200	584	647	137
Class of 2008	(171)	171	0	0
Class of 2009	285	0	285	0
Class of 2010	1,414	0	1,414	0
Class of 2011	2,557	118	2,675	0
Class of 2012	175	5,883	4,518	1,540
H.S. student activities	1,662	2,772	1,953	2,481
Vocal	2,855	2,532	1,881	3,506
Musical	1,258	2,147	631	2,774
Cheerleaders-BB	9,391	5,787	6,113	9,065
Cheerleaders-wrestling	47	745	134	658
Trips	74	0	0	74
Elementary activity	6,641	24,333	21,466	9,508
Talent show	75	0	0	75
Concessions	2,495	3,277	4,826	946
Total	\$ 39,965	140,250	130,871	49,344

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS
 JUNE 30, 2011

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 24,977	259,063	178,441	15,002	477,483
LIABILITIES					
	0	0	0	0	0
NET ASSETS					
Restricted for scholarships	\$ 24,977	259,063	178,441	15,002	477,483

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY NET ASSETS
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ADDITIONS:					
Local sources:					
Interest income	\$ 1,295	3,080	7,016	782	12,173
DEDUCTIONS:					
Non-instructional programs:					
Scholarship awarded	1,350	2,000	8,000	1,419	12,769
Changes in net assets	(55)	1,080	(984)	(637)	(596)
Net assets beginning of year	25,032	257,983	179,425	15,639	478,079
Net assets end of year	\$ 24,977	259,063	178,441	15,002	477,483

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 3,832,767	3,399,417	3,429,848	2,828,866	2,611,869	2,440,846	2,312,212	2,461,106
Tuition	256,222	130,588	146,243	141,541	100,379	203,872	84,692	83,747
Other	470,274	471,577	479,351	548,853	264,582	363,391	236,359	230,003
Intermediate sources	63,154	38,994	47,652	106,027	87,490	59,357	0	0
State sources	2,924,331	2,795,711	2,948,365	3,285,084	3,171,235	3,028,117	2,862,093	2,708,583
Federal sources	335,184	631,586	606,768	167,103	149,123	174,196	234,908	133,895
Total	<u>\$ 7,881,932</u>	<u>7,467,873</u>	<u>7,658,227</u>	<u>7,077,474</u>	<u>6,384,678</u>	<u>6,269,779</u>	<u>5,730,264</u>	<u>5,617,334</u>
Expenditures:								
Instruction:								
Regular	\$ 2,915,349	3,459,725	2,854,869	2,764,700	2,777,279	2,891,637	2,746,076	2,282,332
Special	726,176	591,934	563,240	579,189	639,589	613,855	864,153	781,836
Other	776,225	768,647	706,277	778,041	647,404	687,457	441,090	513,802
Support services:								
Student	39,188	29,952	36,337	45,401	46,592	45,617	124,686	140,717
Instructional	79,475	75,331	47,812	93,585	92,229	82,881	96,833	126,586
Administration	613,394	762,394	923,306	685,141	575,076	586,907	560,376	585,361
Operation and maintenance of plant	417,199	486,274	411,787	460,509	460,189	597,196	418,645	334,336
Transportation	254,165	356,289	266,248	325,759	355,980	261,447	194,346	266,829
Non-instructional:								
Community service operations	0	0	0	0	0	154	0	0
Other expenditures:								
Facilities acquisitions	427,584	1,589,003	5,378,281	1,482,292	424,711	545,686	128,925	219,353
Long-term debt:								
Principal	640,220	490,000	80,000	63,029	0	0	0	0
Interest and fiscal charges	251,290	269,623	358,471	2,548	0	0	0	0
AEA flow-through	262,260	260,451	229,509	223,429	212,553	195,320	184,761	186,724
Total	<u>\$ 7,402,525</u>	<u>9,139,623</u>	<u>11,856,137</u>	<u>7,503,623</u>	<u>6,231,602</u>	<u>6,508,157</u>	<u>5,759,891</u>	<u>5,437,876</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of A-H-S-T Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 20, 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 A-H-S-T Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of A-H-S-T Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of A-H-S-T Community School District's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of A-H-S-T Community School District and other parties to whom A-H-S-T Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2012

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Conclusion - Response accepted.

I-B-11 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

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

Currently, donations from Target are in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

We also noted the Student Activity Fund had Lifetouch picture commissions receipted into the fund. The General Fund is the only allowable fund for commission revenue recognition. In the future, Lifetouch picture commissions should be receipted to the General Fund.

Response - In the 2011-2012 school year, we corrected our practices of depositing the Target donations into the General Fund. Also, the Lifetouch Picture commissions will be posted in the General Fund.

Conclusion - Response accepted.

I-C-11 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The District's Board of Directors and the Administration have been reading and approving the district's board policies on a regular basis at our monthly meetings during the 2011-2012 fiscal year. We are currently on schedule with our updating and revising the board policies.

Conclusion - Response accepted.

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, exceed the amounts budgeted in the non-instructional functional area.

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

Response - We will try to monitor our fiscal budget so we do not exceed any areas, and amend the budget when necessary.

Conclusion - Response accepted.

II-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

Conclusion - Response accepted.

II-D-11 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Keith Holtz, Board Member Owns Holtz Service and Small Engine	supplies/services	\$ 710
Roger Benson, Teacher Does work for school	services	858

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board Member do not appear to be a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the employee do not appear to represent a conflict of interest.

II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

- II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-11 Statewide Sales and Services Tax - We noted during our audit that the District had purchases from the Capital Projects, Statewide Sales, Services and Use Tax Fund which do not appear to be in compliance with Chapter 298.3 of the Code of Iowa and Chapter 423F of the Code of Iowa. The District purchased a total of \$1,595 for routine maintenance bleacher inspections. These purchases are below the \$500 per unit of equipment restriction stated in 298.3 of the Code of Iowa.

Recommendation - The District should make a corrective transfer to the General Fund. The District should review Chapter 298.3 of the Code of Iowa and Chapter 423F of the Code of Iowa for the allowability of expenditures from the Statewide Sales, Services and Use Tax Fund.

Response - The District has made the correcting entry to transfer this \$1,595 from the General Fund to Fund 33 to cover this expenditure that did not meet the Code of Iowa equipment restriction ruling.

Conclusion - Response accepted.

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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning Balance		\$	616,296
Revenues/transfers in:			
Sales tax revenues	\$	562,175	
Other local revenues		146,275	708,450
			<u>1,324,746</u>
Expenditures/transfers out:			
School infrastructure construction		370,834	
Equipment		15,443	
Other		72,728	
Transfers to other funds:			
Debt service fund		432,350	891,355
			<u>891,355</u>
Ending Balance		\$	<u>433,391</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.

II-M-11 Financial Condition - We noted during our audit two deficit account balances in the Special Revenue, Student Activity Fund totaling \$4,015.

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

Response - The school personnel will monitor to keep our account balances positive in the Activity Fund.

Conclusion - Response accepted.

II-N-11 Non-certified Time Sheets - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on minimum wage and overtime, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - Beginning with the 2011-2012 school year, we have required the non-certified staff to keep track of hours worked during his/her coaching duties.

Conclusion - Response accepted.

II-O-11 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. We noted the District does not obtain the image of the back of each cancelled check in the Statewide Sales, Services and Use Tax Fund as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - In October, the District requested Midstates Bank to display both the front and back of each cancelled check in the Statewide Sales, Service and Use Tax Fund.

Conclusion - Response accepted.