

ANDREW COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Andrew Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Charles Schwager	President	2011
Charlie Peters	Vice President	2013
Allan W. Till	Board Member	2011
Kevin Kilburg	Board Member	2011
Randy Ernst	Board Member	2013
(After September 2011 Election)		
Charlie Peters	President	2013
Randy Ernst	Vice President	2013
Allan W. Till	Board Member	2015
Yvonne Weimerskirch	Board Member	2015
Eric Strathman	Board Member	2015
School Officials		
Frank Shekleton	Superintendent	2012
Ruth Hingtgen	District Secretary/ Treasurer	2012
Lane and Waterman	Attorney	2012

ANDREW COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Andrew Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Andrew Community School District, Andrew Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Andrew Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 18, 2013 on our consideration of the Andrew Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 be presented to supplement the basic

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financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Andrew Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Andrew Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,086,610 in fiscal 2011 to \$2,875,422 in fiscal 2012, and General Fund expenditures decreased from \$3,050,811 in fiscal 2011 to \$2,797,845 in fiscal 2012. The District's General Fund increased from a balance of \$178,941 in fiscal 2011 to a balance of \$256,518 in fiscal 2012, a 43.35% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state and federal grant revenue in fiscal 2012. The decrease in expenditures was due primarily to a decrease in negotiable salaries and benefits. The decrease in expenditures can also be attributed to the concerted effort by the board to improve the District's fund balance and solvency ratio.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Andrew Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Andrew Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Andrew Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the non-major funds.

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

Figure A-1
Andrew Community School District Annual Financial Report

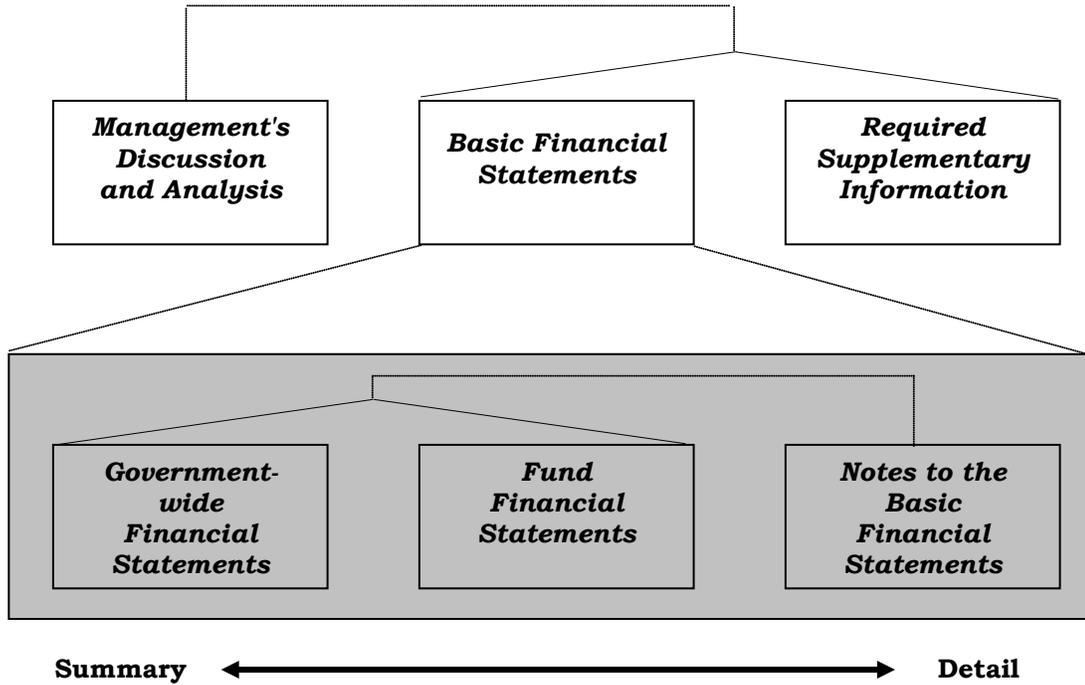


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 2,602,849	2,434,269	22,045	20,808	2,624,894	2,455,077	6.92%
Capital assets	862,745	845,533	23,918	33,333	886,663	878,866	0.89%
Total assets	3,465,594	3,279,802	45,963	54,141	3,511,557	3,333,943	5.33%
Long-term liabilities	140,965	98,198	1,903	1,216	142,868	99,414	43.71%
Other liabilities	1,463,607	1,500,287	1,963	176	1,465,570	1,500,463	-2.33%
Total liabilities	1,604,572	1,598,485	3,866	1,392	1,608,438	1,599,877	0.54%
Net assets:							
Invested in capital assets, net of related debt	862,745	845,533	23,918	33,333	886,663	878,866	0.89%
Restricted	801,903	665,331	0	0	801,903	665,331	20.53%
Unrestricted	196,374	170,453	18,179	19,416	214,553	189,869	13.00%
Total net assets	\$ 1,861,022	1,681,317	42,097	52,749	1,903,119	1,734,066	9.75%

The District's combined net assets decreased by 9.75%, or \$169,053, over the prior year. The largest portion of the District's net assets is the invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$136,572, or 20.53% over the prior year. The increase was primarily a result of an increase in the Capital Projects fund balance.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$24,684, or 13.00%. This increase in unrestricted net assets was primarily due to the increase in fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 153,975	257,558	29,286	46,454	183,261	304,012	-39.72%
Operating grants, contributions and restricted interest	216,974	303,551	58,225	62,113	275,199	365,664	-24.74%
Capital grants, contributions and restricted interest	0	10,769	0	0	0	10,769	-100.00%
General revenues:							
Property tax	1,064,437	1,016,402	0	0	1,064,437	1,016,402	4.73%
Income surtax	123,577	142,069	0	0	123,577	142,069	-13.02%
Statewide sales, services and use tax	208,625	200,311	0	0	208,625	200,311	4.15%
Unrestricted state grants	1,416,610	1,412,858	0	0	1,416,610	1,412,858	0.27%
Nonspecific program federal grants	888	91,078	0	0	888	91,078	100.00%
Unrestricted investment earnings	546	1,012	279	44	825	1,056	-21.88%
Other general revenues	56,876	34,804	0	624	56,876	35,428	60.54%
Total revenues	3,242,508	3,470,412	87,790	109,235	3,330,298	3,579,647	-6.97%
Program expenses:							
Governmental activities:							
Instructional	2,101,908	2,392,369	0	0	2,101,908	2,392,369	-12.14%
Support services	796,545	967,671	1,023	0	797,568	967,671	-17.58%
Non-instructional programs	0	2,123	97,419	120,224	97,419	122,347	-20.37%
Other expenses	164,350	175,273	0	0	164,350	175,273	-6.23%
Total expenses	3,062,803	3,537,436	98,442	120,224	3,161,245	3,657,660	-13.57%
Change in net assets	179,705	(67,024)	(10,652)	(10,989)	169,053	(78,013)	-316.70%
Net assets beginning of year	1,681,317	1,748,341	52,749	63,738	1,734,066	1,812,079	-4.31%
Net assets end of year	\$ 1,861,022	1,681,317	42,097	52,749	1,903,119	1,734,066	9.75%

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 86.76% of the revenues from governmental activities while charges for services and operating grants and contributions account for 99.68% of the revenues in the business type activities.

The District's total revenues were approximately \$3.33 million of which approximately \$3.24 million was for governmental activities and approximately \$0.09 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.97% decrease in revenues and a 13.57% decrease in expenses. The decrease in expenses was related to decreases in the instructional and support services functional areas expenditures.

Governmental Activities

Revenues for governmental activities were \$3,242,508 and expenses were \$3,062,803.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change	2012	2011	Change
			2011-12			2011-12
Instruction	\$ 2,101,908	2,392,369	-12.14%	1,846,063	1,959,527	-5.79%
Support services	796,545	967,671	-17.68%	792,400	953,793	-16.92%
Non-instructional programs	0	2,123	-100.00%	0	2,123	-100.00%
Other expenses	164,350	175,273	-6.23%	53,391	50,115	6.54%
Totals	\$ 3,062,803	3,537,436	-13.42%	2,691,854	2,965,558	-9.23%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$153,975.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$216,974.
- The net cost of governmental activities was financed with \$1,064,437 in property tax, \$123,577 in income surtax, \$208,625 in statewide sales, services and use tax, \$1,416,610 in unrestricted state grants, \$888 in nonspecific program federal grants, \$546 in unrestricted investment earnings and \$56,876, in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$87,790 and expenses were \$98,442. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other miscellaneous revenue.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$948,435, above last year's ending fund balances of a \$722,250. The primary reason for the increase in combined fund balances in fiscal 2012 is due to the increase in the General and Capital Projects Fund balances.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the result of many factors. Local tax revenues increased by \$36,006 or 3.49%. The District decreased General Fund expenditures by \$252,966 or 8.29%. The decrease was primarily due to negotiated salaries and benefits.

- The Capital Projects Fund balance increased from a balance of \$422,721 at the beginning of the fiscal year 2012 to \$549,253. This increase was a result of proceeds from the sale of the District owned residential house.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from \$52,749 at June 30, 2011 to \$42,097 at June 30, 2012, representing a decrease of \$10,652 or 20.19%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$1,521 more than budgeted receipts, a variance of 0.05%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$886,663, 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 0.89% over last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$111,822.

The original cost of the District's capital assets was \$3,659,086. Governmental funds account for \$3,575,572 with the remainder of \$83,514 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2011, compared to \$30,020 reported at June 30, 2012. This increase resulted from the remodeling of the business office which started in fiscal year 2012.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 7,201	7,201	0	0	7,201	7,201	0.00%
Construction in progress	30,020	0	0	0	30,020	0	100.00%
Buildings	633,905	668,642	0	0	633,905	668,642	-5.20%
Land improvements	34,042	41,655	0	0	34,042	41,655	-18.28%
Machinery and equipment	157,577	128,035	23,918	33,333	181,495	161,368	12.47%
Total	\$ 862,745	845,533	23,918	33,333	886,663	878,866	0.89%

Long Term Debt

At June 30, 2012, the District had a long-term debt payable of \$142,868. This represents an increase of 43.71% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statement.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	2011-12
Computer lease	62,496	34,636	0	0	62,496	34,636	100.00%
Early Retirement	31,701	33,688	0	0	31,701	33,688	-5.90%
Net OPEB obligation	46,768	29,874	1,903	1,216	48,671	31,090	56.55%
Total	\$ 140,965	\$ 98,198	\$ 1,903	\$ 1,216	\$ 142,868	\$ 99,414	43.71%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Continued patterns of declining enrollment are creating a stagnant revenue stream from the state. The District is continuing to look for solutions to help cope with the stagnant funding.
- The national recession and state budgets have also kept allowable growth rates to a minimum in recent years. With more uncertainty looming, it is hard to predict allowable growth rates for future funding. This situation paired with declining enrollment makes it a possibility for reduced state aid for fiscal year 2013.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Adam Crigger, Business Manager, Andrew Community School District, 13 S. Marion St, P.O. Box 230, Andrew, Iowa, 52030.

ANDREW COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,248,138	21,634	1,269,772
Receivables			
Property tax:			
Delinquent	80,954	0	80,954
Succeeding year	1,116,331	0	1,116,331
Income surtax	123,577	0	123,577
Due from other governments	33,849	0	33,849
Inventories	0	411	411
Capital assets, net of accumulated depreciation	862,745	23,918	886,663
TOTAL ASSETS	3,465,594	45,963	3,511,557
LIABILITIES			
Accounts payable	170,728	0	170,728
Salaries and benefits payable	174,897	0	174,897
Accrued interest payable	1,651	0	1,651
Deferred revenue:			
Succeeding year property tax	1,116,331	0	1,116,331
Unearned revenue	0	1,963	1,963
Long-term liabilities:			
Portion due within one year:			
Computer lease payable	23,968	0	23,968
Early retirement payable	31,701	0	31,701
Portion due after one year:			
Computer lease payable	38,528	0	38,528
Net OPEB liability	46,768	1,903	48,671
TOTAL LIABILITIES	1,604,572	3,866	1,608,438
NET ASSETS			
Invested in capital assets, net of related debt	862,745	23,918	886,663
Restricted for:			
Categorical funding	120,455	0	120,455
School infrastructure	464,302	0	464,302
Physical plant and equipment	84,951	0	84,951
Management levy purposes	62,764	0	62,764
Student activities	69,431	0	69,431
Unrestricted	196,374	18,179	214,553
TOTAL NET ASSETS	\$ 1,861,022	42,097	1,903,119

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,479,547	119,842	11,128	(1,348,577)	0	(1,348,577)
Special	463,546	0	20,790	(442,756)	0	(442,756)
Other	158,815	34,133	69,952	(54,730)	0	(54,730)
	<u>2,101,908</u>	<u>153,975</u>	<u>101,870</u>	<u>(1,846,063)</u>	<u>0</u>	<u>(1,846,063)</u>
Support services:						
Student	55,322	0	0	(55,322)	0	(55,322)
Instructional staff	33,439	0	0	(33,439)	0	(33,439)
Administration	276,041	0	4,145	(271,896)	0	(271,896)
Operation and maintenance of plant	181,534	0	0	(181,534)	0	(181,534)
Transportation	250,209	0	0	(250,209)	0	(250,209)
	<u>796,545</u>	<u>0</u>	<u>4,145</u>	<u>(792,400)</u>	<u>0</u>	<u>(792,400)</u>
Long term Debt:						
Interest and fees	2,626	0	0	(2,626)		(2,626)
Other expenses:						
AEA flowthrough	110,959	0	110,959	0	0	0
Depreciation(unallocated)*	50,765	0	0	(50,765)	0	(50,765)
	<u>161,724</u>	<u>0</u>	<u>110,959</u>	<u>(50,765)</u>	<u>0</u>	<u>(50,765)</u>
Total governmental activities	3,062,803	153,975	216,974	(2,691,854)	0	(2,691,854)
Business Type activities:						
Support services:						
Operation and maintenance of plant	1,023	0	0	0	(1,023)	(1,023)
Non-instructional programs:						
Nutrition services	97,419	29,286	58,225	0	(9,908)	(9,908)
Total business type activities	<u>98,442</u>	<u>29,286</u>	<u>58,225</u>	<u>0</u>	<u>(10,931)</u>	<u>(10,931)</u>
Total	<u>\$ 3,161,245</u>	<u>183,261</u>	<u>275,199</u>	<u>(2,691,854)</u>	<u>(10,931)</u>	<u>(2,702,785)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,014,445	0	1,014,445
Capital outlay				49,992	0	49,992
Income surtax				123,577	0	123,577
Statewide sales, services and use tax				208,625	0	208,625
Unrestricted state grants				1,416,610	0	1,416,610
Nonspecific program federal grants				888	0	888
Unrestricted investment earnings				546	279	825
Other				56,876	0	56,876
Total general revenues				<u>2,871,559</u>	<u>279</u>	<u>2,871,838</u>
Changes in net assets				179,705	(10,652)	169,053
Net assets beginning of year				<u>1,681,317</u>	<u>52,749</u>	<u>1,734,066</u>
Net assets end of year				<u>\$ 1,861,022</u>	<u>42,097</u>	<u>1,903,119</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Nonmajor Funds	Total
ASSETS				
Cash and pooled investments	\$ 535,312	502,217	141,728	1,179,257
Receivables:				
Property tax:				
Delinquent	11,683	68,335	936	80,954
Succeeding year	933,833	97,498	85,000	1,116,331
Income surtax	123,577	0	0	123,577
Due from other governments	33,849	0	0	33,849
TOTAL ASSETS	\$ 1,638,254	668,050	227,664	2,533,968
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 149,429	21,299	0	170,728
Salaries and benefits payable	174,897	0	0	174,897
Deferred revenue:				
Succeeding year property tax	933,833	97,498	85,000	1,116,331
Income surtax	123,577	0	0	123,577
Total liabilities	1,381,736	118,797	85,000	1,585,533
Fund balances:				
Restricted for:				
Categorical funding	120,455	0	0	120,455
School infrastructure	0	464,302	0	464,302
Physical plant and equipment	0	84,951	0	84,951
Management levy purposes	0	0	94,465	94,465
Student activities	0	0	69,431	69,431
Unassigned:				
General	136,063	0	0	136,063
Student activities	0	0	(21,232)	(21,232)
Total fund balances	256,518	549,253	142,664	948,435
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,638,254	668,050	227,664	2,533,968

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$	948,435
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		862,745
The income surtax accounts receivable, is not yet available to finance expenditures of the current fiscal period.		123,577
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		68,881
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(1,651)
Long-term liabilities, including a computer lease payable, early retirement benefits payable and other postemployment benefits payable are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.		(140,965)
Net assets of governmental activities(page 18)	\$	<u>1,861,022</u>

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,067,403	258,617	75,043	1,401,063
Tuition	113,322	0	0	113,322
Other	60,582	160	37,690	98,432
State sources	1,564,195	0	0	1,564,195
Federal sources	69,920	0	0	69,920
Total revenues	<u>2,875,422</u>	<u>258,777</u>	<u>112,733</u>	<u>3,246,932</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,375,508	39,077	28,437	1,443,022
Special	460,705	0	0	460,705
Other	130,192	0	24,771	154,963
	<u>1,966,405</u>	<u>39,077</u>	<u>53,208</u>	<u>2,058,690</u>
Support services:				
Student	54,527	0	0	54,527
Instructional staff	32,994	0	0	32,994
Administration	287,930	0	0	287,930
Operation and maintenance of plant	131,472	0	37,340	168,812
Transportation	201,366	84,318	109	285,793
	<u>708,289</u>	<u>84,318</u>	<u>37,449</u>	<u>830,056</u>
Capital outlay	<u>0</u>	<u>110,704</u>	<u>0</u>	<u>110,704</u>
Long-term debt:				
Principal	0	0	11,217	11,217
Interest and fees	0	0	975	975
	<u>0</u>	<u>0</u>	<u>12,192</u>	<u>12,192</u>
Other expenditure:				
AEA flowthrough	110,959	0	0	110,959
Total expenditures	<u>2,785,653</u>	<u>234,099</u>	<u>102,849</u>	<u>3,122,601</u>
Excess of revenues over expenditures	89,769	24,678	9,884	124,331
Other financing sources(uses):				
Transfers in	0	0	12,192	12,192
Transfers out	(12,192)	0	0	(12,192)
Proceeds from computer lease	0	39,077	0	39,077
Proceeds from sale of real property	0	62,777	0	62,777
Total other financing sources(uses)	<u>(12,192)</u>	<u>101,854</u>	<u>12,192</u>	<u>101,854</u>
Net change in fund balances	77,577	126,532	22,076	226,185
Fund balance beginning of year	178,941	422,721	120,588	722,250
Fund balance end of year	<u>\$ 256,518</u>	<u>549,253</u>	<u>142,664</u>	<u>948,435</u>

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22) \$ 226,185

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal in the year are as follows:

Capital outlays	\$ 128,211	
Depreciation expense	(105,541)	
Loss on disposal	(5,458)	17,212

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (4,424)

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (14,850)

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

Issued	(39,077)	
Repaid	11,217	(27,860)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrued, regardless of when it is due. (1,651)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early Retirement	1,987	
Other postemployment benefits	(16,894)	(14,907)

Changes in net assets of governmental activities(page 19) \$ 179,705

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service
ASSETS		
Cash and pooled investments	\$ 21,634	68,881
Inventories	411	0
Capital assets, net of accumulated depreciation	23,918	0
TOTAL ASSETS	45,963	68,881
LIABILITIES		
Unearned revenue	1,963	0
Net OPEB liability	1,903	0
TOTAL LIABILITIES	3,866	0
NET ASSETS		
Invested in capital assets	23,918	0
Unrestricted	18,179	68,881
TOTAL NET ASSETS	\$ 42,097	68,881

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 29,286	284,260
TOTAL OPERATING REVENUE	<u>29,286</u>	<u>284,260</u>
OPERATING EXPENSES:		
Support services:		
Administration		
Benefits	0	299,110
Operation and maintenance of plant		
Services	1,023	0
	<u>1,023</u>	<u>299,110</u>
Non-instructional programs:		
Food service operations:		
Salaries	28,472	0
Benefits	15,853	0
Services	1,605	0
Supplies	42,074	0
Depreciation	6,281	0
	<u>94,285</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>95,308</u>	<u>299,110</u>
OPERATING LOSS	(66,022)	(14,850)
NON-OPERATING REVENUES(EXPENSES):		
State sources	937	0
Federal sources	57,288	0
Interest income	279	0
Loss on disposal	(3,134)	0
TOTAL NON-OPERATING REVENUES(EXPENSES)	<u>55,370</u>	<u>0</u>
Change in net assets	(10,652)	(14,850)
Net assets beginning of year	<u>52,749</u>	<u>83,731</u>
Net assets end of year	<u>\$ 42,097</u>	<u>68,881</u>

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type	
	Enterprise Fund	Governmental Activities:
	School	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 31,073	0
Cash received from miscellaneous operating activities	0	284,260
Cash payments to employees for services	(43,638)	0
Cash payments to suppliers for goods or services	(35,151)	(299,110)
Net cash used in operating activities	<u>(47,716)</u>	<u>(14,850)</u>
Cash flows from non-capital financing activities:		
State grants received	937	0
Federal grants received	49,771	0
Net cash provided by non-capital financing activities	<u>50,708</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	279	0
Net increase(decrease) in cash and cash equivalents	3,271	(14,850)
Cash and cash equivalents at beginning of year	18,363	83,731
Cash and cash equivalents at end of year	<u>\$ 21,634</u>	<u>68,881</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (66,022)	(14,850)
Adjustments to reconcile operating loss to net used in operating activities:		
Commodities consumed	7,517	0
Depreciation	6,281	0
Decrease in inventories	2,034	0
Increase in unearned revenue	1,787	0
Increase in other postemployment benefits	687	0
Net cash used in operating activities	<u>\$ (47,716)</u>	<u>(14,850)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received federal commodities valued at \$7,517.

SEE NOTES TO FINANCIAL STATEMENTS

ANDREW COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

The Andrew Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through sixth. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Andrew, Iowa, and the predominate agricultural territory in Jackson County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Andrew Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Andrew Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities report information on all of the non-fiduciary 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 Non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following non-major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by

the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$738,294 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa School Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General Fund	\$ 12,192

The General Fund transferred monies to the Debt Service Fund for the payment of principle and interest for the Apple Computer Lease.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,201	0	0	7,201
Construction in progress	0	30,020	0	30,020
Total capital assets not being depreciated	7,201	0	0	37,221
Capital assets being depreciated:				
Buildings & Improvements	2,042,014	13,873	17,640	2,038,247
Land improvements	90,781	0	5,168	85,613
Machinery and equipment	1,330,173	84,318	0	1,414,491
Total capital assets being depreciated	3,462,968	98,191	22,808	3,538,351
Less accumulated depreciation for:				
Buildings	1,373,372	46,903	15,933	1,404,342
Land improvements	49,126	3,862	1,417	51,571
Machinery and equipment	1,202,138	54,776	0	1,256,914
Total accumulated depreciation	2,624,636	105,541	17,350	2,712,827
Total capital assets being depreciated, net	838,332	(7,350)	5,458	825,524
Governmental activities capital assets, net	\$ 845,533	(7,350)	5,458	862,745

	Balance			Balance
	Beginning of		Decreases	End
	Year	Increases		of Year
Business type activities:				
Machinery and equipment	\$ 92,915	0	9,401	83,514
Less accumulated depreciation	59,582	6,281	6,267	59,596
Business type activities capital assets, net	\$ 33,333	(6,281)	3,134	23,918

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				\$ 1,851
Other				2,822
Support services:				
Administration				805
Operation and maintenance of plant				2,097
Transportation				47,201
				<u>54,776</u>
Unallocated depreciation				<u>50,765</u>
Total governmental activities depreciation expense				<u>\$ 105,541</u>
Business type activities:				
Food services				<u>\$ 6,281</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance			Balance	Due
	Beginning			End of	Within
	of Year	Additions	Deletions	Year	One Year
Governmental activities:					
Early Retirement	\$ 33,688	31,701	33,688	31,701	31,701
Computer lease (April 20, 2011)	34,636	0	11,217	23,419	11,542
Computer lease (August 20, 2011)	0	39,077	0	39,077	12,426
Net OPEB liability	29,874	16,894	0	46,768	0
Total	\$ 98,198	87,672	44,905	140,965	55,669
Business type activities:					
Net OPEB liability	\$ 1,216	687	0	1,903	0

Computer Leases

On April 29, 2011, the District entered into a lease agreement with Apple Computer Inc. for computers for the District's One on One Initiative. Annual principal and interest will be paid from the General Fund.

Year Ending June 30,	Computer lease dated April 29, 2011				
	Interest Rates	Principal	Interest	Total	
2013	4.70	% \$ 11,542	650	12,192	
2014	4.70	11,877	315	12,192	
Total		\$ 23,419	965	24,384	

On August 20, 2011, the District entered into a lease agreement with Apple Computer Inc. for computers for the District's One on One Initiative. Annual principal and interest will be paid from the Capital Projects: Local Option Statewide Sales and Services Tax.

Year Ending June 30,	Computer lease dated August 20, 2011				
	Interest Rates	Principal	Interest	Total	
2013	4.75	% \$ 12,426	1,856	14,282	
2014	4.75	13,016	1,266	14,282	
2015	4.75	13,635	648	14,283	
Total		\$ 39,077	3,770	42,847	

Early Retirement

During the year ended June 30, 2010 the District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of service as a full-time employee. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee will be based on the employee salary schedule in effect the last year of the employees employment with the District. The employee will receive 50 percent of the current year's salary less phase money, supplemental pay or extended contract pay. Early retirement expenditures for the year ended June 30, 2012 totaled \$33,688.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$95,582 \$105,621 and \$103,801, respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits**

Plan Description - The District operates a single-employer retiree benefit plan, which provides medical and prescription drug benefits for retirees and their spouses. There are 28 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 22,246
Interest on net OPEB obligation	777
Adjustment to annual required contribution	(2,334)
Annual OPEB cost	<u>20,689</u>
Contributions made	<u>(3,108)</u>
Increase in net OPEB obligation	17,581
Net OPEB obligation beginning of year	<u>31,090</u>
Net OPEB obligation end of year	<u><u>\$ 48,671</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. 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, 2012.

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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 16,340	4.90%	\$ 15,539
2011	16,600	6.32%	31,090
2012	20,689	15.02%	48,671

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$166,253, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$166,253. The covered payroll (annual payroll of active employees covered by the plan) was \$1,056,840, and the ratio of the UAAL to covered payroll was 15.73%. As of June 30, 2012 there were no trust fund assets.

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

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

As of July 1, 2011 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

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

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, life, accidental death and dismemberment and long-term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2012 were \$139,328.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$110,959 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Fund Balance

The Student Activity Fund had a deficit unassigned fund balance of \$21,232.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Teacher salary supplement	\$ 10,457
Dropout and dropout prevention	66,312
Beginning teacher mentoring	2,711
Statewide voluntary preschool	22,215
Model core curriculum	12,820
Professional development	5,940
Total	<u>\$ 120,455</u>

(12) Construction Commitments

The District has entered into a contract with G.L. Stockham & Sons, Inc. totaling \$159,635 for the remodeling of the business office. As of June 30, 2012, costs of \$30,020 had been incurred against the contract. The balance of \$129,615 remaining at June 30, 2012 will be paid as work on the project progresses. The total cost of the project will be added to the District's capital asset listing upon completion.

REQUIRED SUPPLEMENTARY INFORMATION

ANDREW COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,612,817	29,565	1,642,382	1,597,469	1,597,469	44,913
State sources	1,564,195	937	1,565,132	1,590,732	1,590,732	(25,600)
Federal sources	69,920	57,288	127,208	145,000	145,000	(17,792)
Total revenues	<u>3,246,932</u>	<u>87,790</u>	<u>3,334,722</u>	<u>3,333,201</u>	<u>3,333,201</u>	<u>1,521</u>
Expenditures/expenses:						
Instruction	2,058,690	0	2,058,690	2,203,000	2,203,000	144,310
Support services	830,056	1,023	831,079	1,024,500	1,024,500	193,421
Non-instructional programs	0	97,419	97,419	125,000	125,000	27,581
Other expenditures	233,855	0	233,855	325,454	325,454	91,599
Total expenditures/expenses	<u>3,122,601</u>	<u>98,442</u>	<u>3,221,043</u>	<u>3,677,954</u>	<u>3,677,954</u>	<u>456,911</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	124,331	(10,652)	113,679	(344,753)	(344,753)	458,432
Other financing sources(uses), net	101,854	0	101,854	0	0	101,854
Excess(Deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	226,185	(10,652)	215,533	(344,753)	(344,753)	560,286
Balance beginning of year	722,250	52,749	774,999	228,610	228,610	546,389
Balance end of year	<u>\$ 948,435</u>	<u>42,097</u>	<u>990,532</u>	<u>(116,143)</u>	<u>(116,143)</u>	<u>1,106,675</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANDREW COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 162,913	\$ 162,913	0.00%	\$ 1,607,960	10.13%
2011	July 1, 2009	0	162,913	162,913	0.00%	1,563,459	10.42%
2012	July 1, 2011	0	166,253	166,253	0.00%	1,056,840	15.73%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Special Revenue
ASSETS			
Cash and pooled investments	\$ 93,529	48,199	141,728
Receivables:			
Property tax:			
Delinquent	936	0	936
Succeeding year	85,000	0	85,000
TOTAL ASSETS	\$ 179,465	48,199	227,664
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 85,000	0	85,000
Fund balances:			
Restricted for:			
Management levy purposes	94,465	0	94,465
Student activities	0	69,431	69,431
Unassigned	0	(21,232)	(21,232)
Total fund balances	94,465	48,199	142,664
TOTAL LIABILITIES AND FUND BALANCES	\$ 179,465	48,199	227,664

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue				Debt Service	Nonmajor Governmental
	Management Levy	Student Activity	Support Trust	Special Revenue		
REVENUES:						
Local sources:						
Local tax	\$ 75,043	0	0	75,043	0	75,043
Other	3,513	34,177	0	37,690	0	37,690
TOTAL REVENUES	78,556	34,177	0	112,733	0	112,733
EXPENDITURES:						
Current:						
Instruction:						
Regular	28,437	0	0	28,437	0	28,437
Other	0	24,572	199	24,771	0	24,771
Support services:						
Operation and maintenance of plant	37,340	0	0	37,340	0	37,340
Transportation	109	0	0	109	0	109
Other expenditures:						
Long-term debt:						
Principal	0	0	0	0	11,217	11,217
Interest and fees	0	0	0	0	975	975
TOTAL EXPENDITURES	65,886	24,572	199	90,657	12,192	102,849
Excess(deficiency) of revenues over(under) expenditures	12,670	9,605	(199)	22,076	(12,192)	9,884
Other financing sources:						
Transfers in	0	0	0	0	12,192	12,192
Net change in fund balances	12,670	9,605	(199)	22,076	0	22,076
Fund balance beginning of year	81,795	38,594	199	120,588	0	120,588
Fund balance end of year	\$ 94,465	48,199	0	142,664	0	142,664

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 417,890	84,327	502,217
Receivables:			
Property tax:			
Delinquent	67,711	624	68,335
Succeeding year	0	97,498	97,498
TOTAL ASSETS	\$ 485,601	182,449	668,050
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 21,299	0	21,299
Deferred revenue:			
Succeeding year property tax	0	97,498	97,498
Total liabilities	21,299	97,498	118,797
Fund balances:			
Restricted for:			
School infrastructure	464,302	0	464,302
Physical plant and equipment	0	84,951	84,951
Total fund balances	464,302	84,951	549,253
TOTAL LIABILITIES AND FUND BALANCES	\$ 485,601	182,449	668,050

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 208,625	49,992	258,617
Other	95	65	160
TOTAL REVENUES	<u>208,720</u>	<u>50,057</u>	<u>258,777</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	39,077	0	39,077
Transportation	0	84,318	84,318
Capital outlay	57,300	53,404	110,704
TOTAL EXPENDITURES	<u>96,377</u>	<u>137,722</u>	<u>234,099</u>
Excess(deficiency) of revenues over (under) expenditures	112,343	(87,665)	24,678
Other financing sources:			
Proceeds from computer lease	39,077	0	39,077
Proceeds from sale of real property	0	62,777	62,777
Total other financing sources	<u>39,077</u>	<u>62,777</u>	<u>101,854</u>
Net change in fund balances	151,420	(24,888)	126,532
Fund balance beginning of year	<u>312,882</u>	<u>109,839</u>	<u>422,721</u>
Fund balance end of year	<u>\$ 464,302</u>	<u>84,951</u>	<u>549,253</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra Fund Transfers	Balance End of Year
<u>Athletics</u>					
General Athletics	\$ 5,461	8,222	9,493	0	4,190
Athletic Store	(968)	0	(968)	0	0
Girls Fundraiser	1,175	0	0	0	1,175
Boys Fundraising	(91)	0	0	0	(91)
Uniforms	90	0	0	0	90
Football	57	125	0	0	182
Extra Curricular	12,021	12,555	3,284	19	21,311
Cross Country	(305)	99	129	0	(335)
Boys Basketball	(1,540)	0	587	0	(2,127)
Baseball	(2,592)	0	(1)	0	(2,591)
Boys Track	(53)	0	84	0	(137)
Girls Basketball	(346)	25	392	0	(713)
Volleyball	(1,692)	299	477	0	(1,870)
Golf	(430)	0	0	0	(430)
Softball	(9,113)	0	0	0	(9,113)
Girls Track	(917)	0	85	0	(1,002)
	<u>757</u>	<u>21,325</u>	<u>13,562</u>	<u>19</u>	<u>8,539</u>
<u>Music</u>					
General Music	4,846	3,002	3,563	0	4,285
Music Store	(1,400)	0	330	0	(1,730)
	<u>3,446</u>	<u>3,002</u>	<u>3,893</u>	<u>0</u>	<u>2,555</u>
<u>Clubs</u>					
Art Club	1,915	0	0	0	1,915
Yearbook	2,225	215	1,109	0	1,331
Concession Stand	1,907	0	292	0	1,615
Cheerleaders	(751)	0	0	0	(751)
Hawk Club	0	0	342	0	(342)
Student Council	22,310	6,405	5,532	(3)	23,180
Thespians	401	0	0	0	401
Foreign Language Travel	354	0	0	0	354
	<u>28,361</u>	<u>6,620</u>	<u>7,275</u>	<u>(3)</u>	<u>27,703</u>
<u>Graduating Classes</u>					
Class of 2010	10	0	0	0	10
Class of 2012	1,694	0	900	0	794
Class of 2014	515	0	0	0	515
	<u>2,219</u>	<u>0</u>	<u>900</u>	<u>0</u>	<u>1,319</u>
<u>Miscellaneous Accounts</u>					
Interest	70	0	70	0	0
Petty Cash	110	0	110	0	0
After Prom	0	787	0	0	787
Courtesy Funds	0	472	0	0	472
General Activity	(3,291)	0	(3,471)	0	180
Elementary Store	6,922	1,971	2,233	(16)	6,644
	<u>3,811</u>	<u>3,230</u>	<u>(1,058)</u>	<u>(16)</u>	<u>8,083</u>
Total	\$ 38,594	34,177	24,572	0	48,199

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 1,401,063	1,359,466	1,273,686	1,283,580	1,262,113	1,233,121	1,150,990	1,094,923	1,119,831
Tuition	113,322	168,556	224,707	192,479	244,416	217,216	180,403	187,982	147,485
Other	98,432	140,070	142,758	168,849	189,702	252,106	205,904	129,851	148,565
State sources	1,564,195	1,603,462	1,413,679	1,711,917	1,761,428	1,653,670	1,488,919	1,470,942	1,418,215
Federal sources	69,920	199,542	279,971	127,568	100,404	104,795	100,566	115,315	105,804
Total	<u>\$ 3,246,932</u>	<u>3,471,096</u>	<u>3,334,801</u>	<u>3,484,393</u>	<u>3,558,063</u>	<u>3,460,908</u>	<u>3,126,782</u>	<u>2,999,013</u>	<u>2,939,900</u>
Expenditures:									
Current:									
Instruction:									
Regular	\$ 1,443,022	1,514,721	1,413,842	1,389,751	1,440,601	1,442,977	1,306,298	1,411,343	1,228,494
Special	460,705	466,998	470,935	512,417	564,583	432,742	435,917	479,930	472,931
Other	154,963	299,282	351,671	323,252	246,690	308,830	297,596	298,307	242,616
Support services:									
Student	54,527	52,054	26,377	62,423	61,352	56,213	53,293	81,796	91,044
Instructional	32,994	93,121	33,046	85,700	79,774	69,017	59,782	65,819	58,820
Administration	287,930	268,314	299,487	299,846	352,678	342,602	352,480	318,940	298,996
Operation and maintenance of plant	168,812	160,186	161,571	168,224	181,477	161,148	169,707	159,688	147,541
Transportation	285,793	224,862	222,280	262,324	208,781	264,822	234,984	177,090	196,699
Other support	0	0	0	0	0	0	0	0	795
Non-instructional programs	0	2,123	1,771	2,316	2,233	1,855	1,650	17,847	6,359
Capital outlay	110,704	73,813	206,948	104,699	319,672	103,170	158,218	286,517	61,310
Long-term debt:									
Principal	11,217	20,000	20,000	20,000	20,000	0	0	0	0
Interest and other charges	975	0	0	0	0	0	0	0	0
Other expenditures:									
AEA flow-through	110,959	125,158	124,457	117,250	115,944	109,236	98,400	97,695	99,633
Total	<u>\$ 3,122,601</u>	<u>3,300,632</u>	<u>3,332,385</u>	<u>3,348,202</u>	<u>3,593,785</u>	<u>3,292,612</u>	<u>3,168,325</u>	<u>3,394,972</u>	<u>2,905,238</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

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

To the Board of Education of the
Andrew Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Andrew Community School District of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Andrew Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Andrew Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Andrew Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 and I-B-12 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-C-12 through I-G-12 to be significant deficiencies.

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Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2013

ANDREW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 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. One individual has control over data processing, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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 will review internal control procedures to reach it's highest level of efficiency.

Conclusion - Response accepted.

I-B-12 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Harris Software. This training helps in providing instruction as well as promotes networking of other accounting personnel. Necessary adjustments to be made for proper recognition of receivables and payables were not being completed. Transactions such as proper recognition of transfers from other funds to pay debt were not being recorded in the general ledger. Also bank reconciliations were being done, but necessary adjustments to reconcile balance sheets to the general ledger were not being completed.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every District. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District hired new accounting personnel and are providing multiple training situations so that the day to day accounting operations are efficient, accurate and the financial statements can be presented accurately and used with confidence.

Conclusion - Response accepted.

I-C-12 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements of the Internal Service-Self Insurance Fund to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

Response - The District will reconcile all bank statements on a monthly basis.

Conclusion - Response accepted.

- I-D-12 End of Year Inventory - We noted during our audit that the Nutrition Fund did not complete end of year inventory with pricing.

Recommendation - The District should ensure complete end of year inventory with pricing for accurate financial reporting of the Districts Assets.

Response - The District will make sure that end of year Nutrition Fund will be completed with pricing.

Conclusion - Response accepted.

- I-E-12 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 is in the process of updating the board policies and will make sure it is done in a timely manner in the future.

Conclusion - Response accepted.

- I-F-12 Payroll Procedures - We noted during our audit that the District is not keeping record of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff/coaches.

Response - The District will keep track of hours for coaches that are non-certified staff.

Conclusion - Response accepted.

- I-G-12 Student Activity Invoices - We noted instances of a check being written to vendors without an invoice or statement for supporting documentation.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response - The District will not pay invoices unless there is sufficient documentation that is attached to it.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

- II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012 did not exceed the certified amounts in the functional areas.
- II-B-12 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-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted the minutes did not document the code section for a closed session as required by Iowa Code.

Recommendation - The vote of each board member on the question of holding the closed session and the reason for holding a closed session must be referenced by the specific exemption under Chapter 21.5(1) and announced publicly at the open session as well as entered into the minutes. A governmental body shall not discuss any business during the closed session which does not directly relate to the specific reason given as justification for the closed session.

Response - The District will follow the guidelines for going into a closed session.

Conclusion - Response accepted.

- II-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-12 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 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-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - Except as noted, no instances of categorical funding being used to supplant rather than supplement other funds were noted. We noted during our audit that Teacher Salary Supplement(TSS) expenditures were being improperly coded by the District. The following shows the adjustments made by the District to each categorical grant's ending balance:

	Restricted Balance on District's CAR	Amount of Adjustment	Audited Ending Restricted Balance
Teacher Salary Supplement	\$ 9,417	\$ 1,040	\$ 10,457

Recommendation - The District should review the current staff coding in the District's accounting software to ensure that the salary paid is being coded to the appropriate categorical funding source. The District should contact the Iowa Department of Education regarding corrective action required.

Response - The District will make sure that all categorical funding is being coded correctly and contact the Department of Education to get the matter corrected.

Conclusion - Response accepted.

II-L-12 Statewide Sales, Service and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified annual reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

Beginning Balance		\$ 312,882
Statewide sales, services and use tax revenue	\$ 208,625	
Other state revenues	95	
Proceeds from computer lease	39,077	247,797
		<u>560,679</u>
Expenditures/transfers out:		
School infrastructure:		
Building	\$ 39,039	
Equipment	56,038	
Other improvements	1,300	96,377
Ending Balance		<u>\$ 464,302</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

II-M-12 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The Board President will sign all officials contracts.

Conclusion - Response accepted.

II-N-12 Lease Agreements - We noted during our audit that the Superintendent signed the contract for the Apple Computer Lease. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The Board President will sign all future lease agreements.

Conclusion - Response accepted.

II-N-12 Financial Condition - The District's Student Activity Fund had a deficit unassigned fund balance of \$21,232.

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

Response - The District will continue to work towards eliminating the deficits in the Student Activity Fund.

Conclusion - Response accepted.

II-O-12 Electronic Check Retention - Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. 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. During our audit, we noted there were no electronic images or copies of the actual checks written from Maquoketa State Bank account available for audit.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork for the District to be in compliance with 291.6 of the Code of Iowa. The District could choose to retain electronic images of the front and back of each cancelled check to be in compliance with Chapter 554D.114 of the Code of Iowa.

Response - The District receives check images on a CD, but was unable to open the file. The District will make sure they have these documents in the future.

Conclusion - Response accepted.