

AUDUBON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Audubon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Trisha Nelson	President	2013
Douglas Olsen	Vice President	2011
John Henriksen	Board Member	2011
Mary Jo Krauel	Board Member	2013
Doug Olson	Board Member	2011
(After September 2011 Election)		
Mary Jo Krauel	President	2013
Trisha Nelson	Vice President	2013
Christine Konkler	Board Member	2015
Mark Nissen	Board Member	2015
Doug Olson	Board Member	2015
School Officials		
Brett Gibbs	Superintendent	2012
John Roberts	Board Secretary/Treasurer	2012
Natalie Lange	Business Manager	2012
Rick Engel	Attorney	2012



AUDUBON
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
Audubon 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 Audubon Community School District, Audubon 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, the business type activities, each major fund, and the aggregate remaining fund information of Audubon Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2012 on our consideration of Audubon 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, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 be presented to supplement the basic 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 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 Audubon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in our audit of the basic 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.

December 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Audubon 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 increased from \$5,964,264 in fiscal 2011 to \$6,198,457 in fiscal 2012, and General Fund expenditures decreased from \$5,844,001 in fiscal 2011 to \$5,635,902 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$410,297 in fiscal 2011 to \$972,852 in fiscal 2012, an increase of 137.12% from the prior year.
- The increase in General Fund revenues was attributable to increases in local and federal source revenues in fiscal 2012. The increase in expenditures is largely attributable to increases in all functional areas.

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

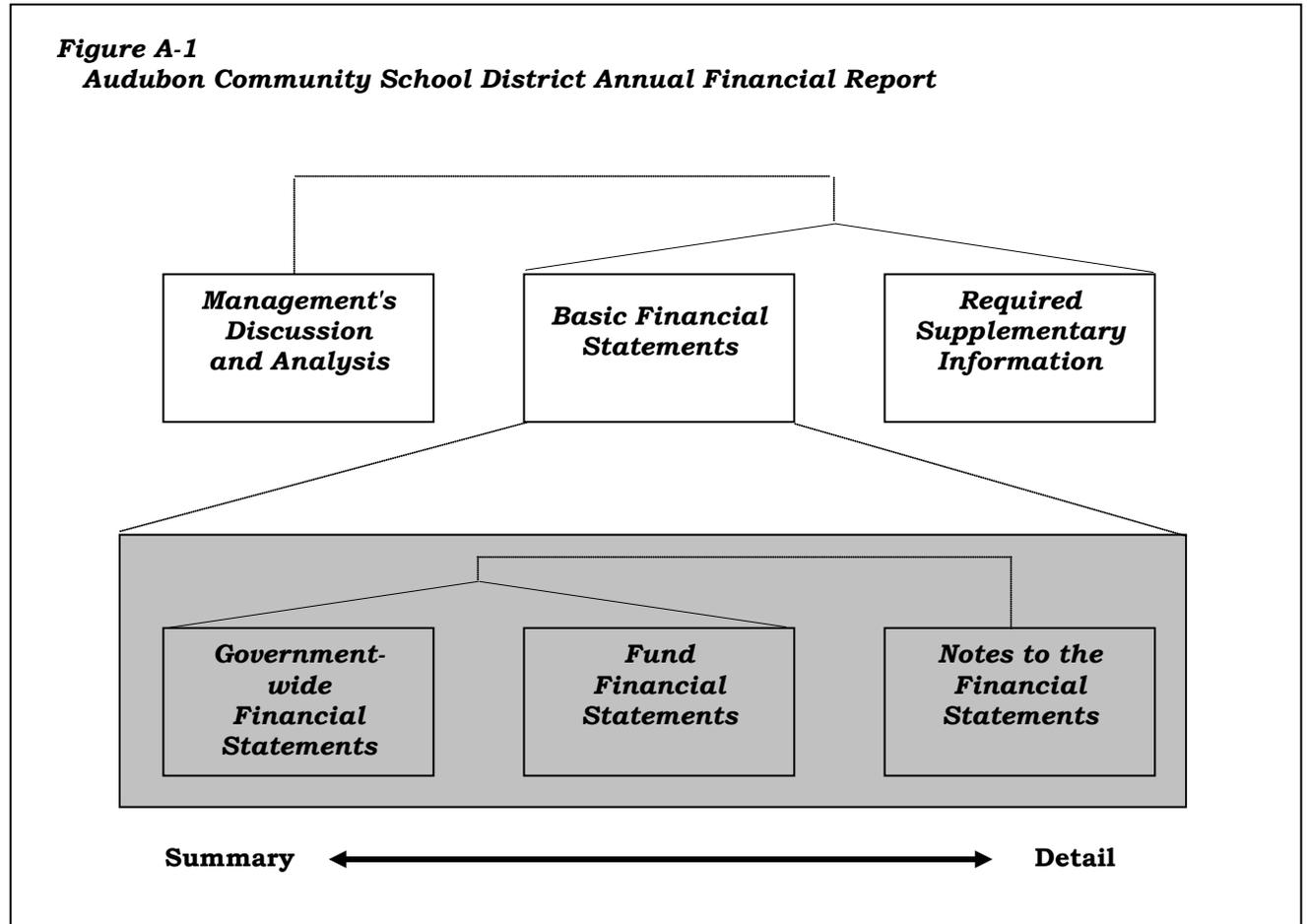


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 5,172,107	4,669,103	93,795	115,514	5,265,902	4,784,617	10.06%
Capital assets	7,139,913	7,303,124	46,320	41,933	7,186,233	7,345,057	-2.16%
Total assets	<u>12,312,020</u>	<u>11,972,227</u>	<u>140,115</u>	<u>157,447</u>	<u>12,452,135</u>	<u>12,129,674</u>	<u>2.66%</u>
Long-term obligations	4,132,080	4,464,590	-	-	4,132,080	4,464,590	-7.45%
Other liabilities	3,943,132	3,646,907	9,818	5,601	3,952,950	3,652,508	8.23%
Total liabilities	<u>8,075,212</u>	<u>8,111,497</u>	<u>9,818</u>	<u>5,601</u>	<u>8,085,030</u>	<u>8,117,098</u>	<u>-0.40%</u>
Net assets:							
Invested in capital assets, net of related debt	3,148,119	2,935,565	46,320	41,933	3,194,439	2,977,498	7.29%
Restricted	837,062	767,421	-	-	837,062	767,421	9.07%
Unrestricted	251,627	157,744	83,977	109,913	335,604	267,657	25.39%
Total net assets	<u>\$ 4,236,808</u>	<u>3,860,730</u>	<u>130,297</u>	<u>151,846</u>	<u>4,367,105</u>	<u>4,012,576</u>	<u>8.84%</u>

The District's combined net assets increased by 8.84%, or \$354,529 from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$69,641 or 9.07% over the prior year. The majority of the increase in restricted net assets was due to a decrease in the fund balance of the Capital Projects: Other Capital Projects Fund.

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 approximately \$67,947, or 25.39%. The majority of the increase in unrestricted net assets is 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 the year ended June 30, 2011.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 640,618	566,675	183,424	195,606	824,042	762,281	8.10%
Operating grants and contributions and restricted interest	481,624	562,279	145,648	144,337	627,272	706,616	-11.23%
Capital grants and contributions and restricted interest	972	-	-	-	972	-	100.00%
General revenues:							
Property tax	2,874,360	2,617,811	-	-	2,874,360	2,617,811	9.80%
Income surtax	227,960	242,127	-	-	227,960	242,127	-5.85%
Statewide sales, services and use tax	438,311	420,597	-	-	438,311	420,597	4.21%
Unrestricted state grants	2,561,657	2,502,947	-	-	2,561,657	2,502,947	2.35%
Nonspecific program federal grants	118,684	58,233	-	-	118,684	58,233	103.81%
Unrestricted interest revenue	49	415	-	57	49	472	-89.62%
Other	72,582	124,656	3,525	6,087	76,107	130,743	-41.79%
Transfers	-	(2,503)	-	2,503	-	-	-100.00%
Total revenues and transfers	<u>7,416,817</u>	<u>7,093,237</u>	<u>332,597</u>	<u>348,590</u>	<u>7,749,414</u>	<u>7,441,827</u>	<u>4.13%</u>
Program expenses:							
Governmental activities:							
Instructional	4,414,928	4,180,360	-	-	4,414,928	4,180,360	5.61%
Support services	1,916,481	2,242,253	4,678	5,047	1,921,159	2,247,300	-14.51%
Non-instructional programs	-	-	349,468	360,256	349,468	360,256	-2.99%
Other expenditures	709,330	1,128,455	-	-	709,330	1,128,455	-37.14%
Total expenses	<u>7,040,739</u>	<u>7,551,068</u>	<u>354,146</u>	<u>365,303</u>	<u>7,394,885</u>	<u>7,916,371</u>	<u>-6.59%</u>
Change in net assets	376,078	(457,831)	(21,549)	(16,713)	354,529	(474,544)	-174.71%
Net assets beginning of year	<u>3,860,730</u>	<u>4,318,561</u>	<u>151,846</u>	<u>168,559</u>	<u>4,012,576</u>	<u>4,487,120</u>	<u>-10.58%</u>
Net assets end of year	<u>\$ 4,236,808</u>	<u>3,860,730</u>	<u>130,297</u>	<u>151,846</u>	<u>4,367,105</u>	<u>4,012,576</u>	<u>8.84%</u>

In fiscal 2012, property tax, unrestricted state grants, and charges for services account for 81.93% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for 98.94% of the revenue from business type activities.

The District's total revenues were \$7,749,414, of which \$7,416,817 was for governmental activities and \$332,597 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.13% in revenues and a 6.59% decrease in expenses. The decrease in expenses was related to increases in the support services and other expenditures functional areas.

Governmental Activities

Revenues for governmental activities were \$7,416,817 and expenses were \$7,040,739.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for year ended June 30, 2012 compared to the year ended June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 4,414,928	4,180,360	5.61%	3,495,341	3,301,094	5.88%
Support services	1,916,481	2,242,253	-14.53%	1,915,198	2,222,126	-13.81%
Other expenses	709,330	1,128,455	-37.14%	506,986	898,894	-43.60%
Totals	\$ 7,040,739	7,551,068	-6.76%	5,917,525	6,422,114	-7.86%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$640,618.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$482,596.
- The net cost of governmental activities was financed with \$2,874,360 in property tax, \$227,960 in income surtax, \$438,311 in statewide sales, services and use tax, \$2,561,657 in unrestricted state grants, \$118,684 in nonspecific program federal grants, \$49 in interest income, and \$72,582 in other general revenue net of transfers.

Business type Activities

Revenues of the District's business type activities were \$332,597 and expenses were \$354,146. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,034,497, above last year's ending fund balances of \$816,158.

Governmental Fund Highlights

- The General Fund's improving financial position from \$410,297 to \$972,852 is the product of many factors. General fund revenues increased from \$5,964,264 in fiscal 2011 to \$6,198,457 in fiscal 2012, while General fund expenses decreased from \$5,844,001 in fiscal 2011 to \$5,635,902 in fiscal 2012.
- The Capital Projects Fund balance decreased from \$217,391 in fiscal 2011 to a deficit balance of \$209,562 in fiscal 2012. Revenues decreased from \$1,005,804 in fiscal 2011 to \$640,268 in fiscal 2012. Expenditures increased from \$920,694 in fiscal 2011 to \$1,067,221 in fiscal 2012.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$151,846 at June 30, 2011 to \$130,297 at June 30, 2012, representing a decrease of 14.19%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$242,589 more than budgeted revenues, a variance of 3.23%. The most significant variance resulted from the District receiving more in local and federal source revenues than originally anticipated.

Total expenditures were more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$7,186,233, 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) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$458,035.

The original cost of the District's capital assets was \$16,971,380. Governmental funds account for \$16,745,118 with the remainder of \$226,262 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's reported machinery and equipment were \$615,594 at June 30, 2012, as compared to \$563,544 for June 30, 2011. The increase in machinery and equipment is attributable to the purchase of new vehicles.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 3,200	3,200	-	-	3,200	3,200	0.00%
Buildings	6,329,324	6,526,166	-	-	6,329,324	6,526,166	-3.02%
Land improvements	191,795	210,214	-	-	191,795	210,214	-8.76%
Machinery and equipment	615,594	563,544	46,320	41,933	661,914	605,477	9.32%
Total	<u>\$ 7,139,913</u>	<u>7,303,124</u>	<u>46,320</u>	<u>41,933</u>	<u>7,186,233</u>	<u>7,345,057</u>	<u>-2.16%</u>

Long-Term Debt

At June 30, 2012, the District had \$4,132,080 in other long-term debt outstanding. This represents a decrease of 7.45%. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$3,720,000 at June 30, 2012.

The District had an outstanding Apple Computer lease of \$271,794 at June 30, 2012.

The District had outstanding early retirement payable of \$96,000 at June 30, 2012.

The District had total outstanding compensated absences payable from the General Fund of \$4,756 at June 30, 2012.

The District had a net OPEB liability of \$39,530 at June 30, 2012.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-12
General obligation bonds	\$ 3,720,000	3,930,000	-5.34%
Bus leases	-	59,831	-100.00%
Apple lease	271,794	377,728	-28.05%
Early retirement	96,000	65,224	47.19%
Compensated absences	4,756	8,406	-43.42%
Net OPEB liability	39,530	23,401	68.92%
Total	<u>\$ 4,132,080</u>	<u>4,464,590</u>	<u>-7.45%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District projects a declining enrollment trend of approximately 10 students per year. We are anticipating the declining enrollment will be offset by the projected increase in our state statewide sales, services and use tax dollars per student.
- On July 1, 2012, the IPERS increase to 8.67% will increase the Audubon Community Schools employer benefits costs during fiscal 2013. An additional increase to 8.93% is anticipated for FY14.
- On July 16, 2012 the Board voted in a resolution authorizing the issuance of \$945,000 School Infrastructure, Sales, Services and Use Tax Revenue Bond Anticipation Project Note, Series 2012. This will be used for the Middle School demolition and landscaping of the grounds. The balance will be used for other maintenance projects for the elementary and high school buildings.

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 Natalie Lange, Business Manager, Audubon Community School District, 800 Third Avenue, Audubon, Iowa, 50025.



AUDUBON
COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,672,775	79,958	1,752,733
Receivables:			
Property tax:			
Delinquent	102,745	-	102,745
Succeeding year	2,888,880	-	2,888,880
Income surtax	220,892	-	220,892
Accounts	1,293	1,768	3,061
Due from other governments	285,522	7,907	293,429
Inventories	-	4,162	4,162
Capital assets, net of accumulated depreciation	7,139,913	46,320	7,186,233
Total assets	12,312,020	140,115	12,452,135
Liabilities			
Warrants issued over bank balance	792	-	792
Accounts payable	482,872	-	482,872
Salaries and benefits payable	544,174	3,671	547,845
Interest payable	26,414	-	26,414
Deferred revenue:			
Succeeding year property tax	2,888,880	-	2,888,880
Unearned revenue	-	6,147	6,147
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	220,000	-	220,000
Computer lease payable	107,680	-	107,680
Compensated absences payable	4,756	-	4,756
Early retirement payable	60,000	-	60,000
Portion due after one year:			
General obligation bonds payable	3,500,000	-	3,500,000
Computer lease payable	164,114	-	164,114
Early retirement payable	36,000	-	36,000
Net OPEB liability	39,530	-	39,530
Total liabilities	8,075,212	9,818	8,085,030
Net Assets			
Invested in capital assets, net of related debt	3,148,119	46,320	3,194,439
Restricted for:			
Categorical funding	431,354	-	431,354
Debt service	9,668	-	9,668
Management levy purposes	39,803	-	39,803
Student activities	125,736	-	125,736
School infrastructure	198,529	-	198,529
Physical plant and equipment	31,972	-	31,972
Unrestricted	251,627	83,977	335,604
Total net assets	\$ 4,236,808	130,297	4,367,105

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Operating Grants,	Capital Grants,	Govern- mental Activities	Business Type Activities	Total
		for Services	Contributions and Restricted Interest	Contributions and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,014,936	303,030	95,926	-	(2,615,980)	-	(2,615,980)
Special	577,300	63,475	46,582	-	(467,243)	-	(467,243)
Other	822,692	274,113	136,461	-	(412,118)	-	(412,118)
	<u>4,414,928</u>	<u>640,618</u>	<u>278,969</u>	<u>-</u>	<u>(3,495,341)</u>	<u>-</u>	<u>(3,495,341)</u>
Support services:							
Student	209,276	-	-	-	(209,276)	-	(209,276)
Instructional staff	317,857	-	-	-	(317,857)	-	(317,857)
Administration	643,658	-	-	-	(643,658)	-	(643,658)
Operation and maintenance of plant	504,041	-	-	972	(503,069)	-	(503,069)
Transportation	241,649	-	311	-	(241,338)	-	(241,338)
	<u>1,916,481</u>	<u>-</u>	<u>311</u>	<u>972</u>	<u>(1,915,198)</u>	<u>-</u>	<u>(1,915,198)</u>
Interest and fiscal charges	177,836	-	-	-	(177,836)	-	(177,836)
Other expenses:							
AEA flowthrough	202,344	-	202,344	-	-	-	-
Depreciation(unallocated)*	329,150	-	-	-	(329,150)	-	(329,150)
	<u>531,494</u>	<u>-</u>	<u>202,344</u>	<u>-</u>	<u>(329,150)</u>	<u>-</u>	<u>(329,150)</u>
Total governmental activities	7,040,739	640,618	481,624	972	(5,917,525)	-	(5,917,525)
Business Type activities:							
Support services:							
Operations and maintenance plant	4,678	-	-	-	-	(4,678)	(4,678)
Non-instructional programs:							
Nutrition services	349,468	183,424	145,648	-	-	(20,396)	(20,396)
Total business type activities	<u>354,146</u>	<u>183,424</u>	<u>145,648</u>	<u>-</u>	<u>-</u>	<u>(25,074)</u>	<u>(25,074)</u>
Total	<u>\$ 7,394,885</u>	<u>824,042</u>	<u>627,272</u>	<u>972</u>	<u>(5,917,525)</u>	<u>(25,074)</u>	<u>(5,942,599)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes				\$ 2,513,645	-	2,513,645	
Capital outlay				200,837	-	200,837	
Debt service				159,878	-	159,878	
Income surtax				227,960	-	227,960	
Statewide sales, services and use tax				438,311	-	438,311	
Unrestricted state grants				2,561,657	-	2,561,657	
Nonspecific program federal grants				118,684	-	118,684	
Unrestricted investment earnings				49	-	49	
Other				72,582	3,525	76,107	
Total general revenues and transfers				<u>6,293,603</u>	<u>3,525</u>	<u>6,297,128</u>	
Net change in fund balances				376,078	(21,549)	354,529	
Net assets beginning of year				<u>3,860,730</u>	<u>151,846</u>	<u>4,012,576</u>	
Net assets end of year				<u>\$ 4,236,808</u>	<u>130,297</u>	<u>4,367,105</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,348,744	66,159	257,872	1,672,775
Receivables:				
Property tax:				
Delinquent	80,110	7,245	15,390	102,745
Succeeding year	2,181,548	206,189	501,143	2,888,880
Income surtax	220,892	-	-	220,892
Due from other funds	-	10,030	-	10,030
Accounts	10	-	1,283	1,293
Due from other governments	132,600	152,922	-	285,522
Total assets	\$ 3,963,904	442,545	775,688	5,182,137
Liabilities and Fund Balances				
Liabilities:				
Warrants issued over bank balance	\$ -	-	792	792
Accounts payable	44,438	435,888	2,546	482,872
Salaries and benefits payable	544,174	-	-	544,174
Due to other funds	-	10,030	-	10,030
Deferred revenue:				
Succeeding year property tax	2,181,548	206,189	501,143	2,888,880
Income surtax	220,892	-	-	220,892
Total liabilities	2,991,052	652,107	504,481	4,147,640
Fund balances:				
Restricted for:				
Categorical funding	431,354	-	-	431,354
Debt service	-	-	9,668	9,668
Management levy purposes	-	-	135,803	135,803
Student activities	-	-	125,736	125,736
School infrastructure	-	198,529	-	198,529
Physical plant and equipment	-	31,972	-	31,972
Committed	3,514	-	-	3,514
Unassigned:				
General	537,984	-	-	537,984
Capital Projects	-	(440,063)	-	(440,063)
Total fund balances	972,852	(209,562)	271,207	1,034,497
Total liabilities and fund balances	\$ 3,963,904	442,545	775,688	5,182,137

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON 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)	\$	1,034,497
 Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		7,139,913
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		220,892
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(26,414)
Long-term liabilities, including general obligation bonds payable, leases payable, early retirement payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,132,080)</u>
Net assets of governmental activities(page 18)	\$	<u><u>4,236,808</u></u>

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,591,160	639,148	312,735	3,543,043
Tuition	345,415	-	-	345,415
Other	148,867	1,021	271,337	421,225
State sources	2,834,316	99	152	2,834,567
Federal sources	274,979	-	-	274,979
Total revenues	<u>6,194,737</u>	<u>640,268</u>	<u>584,224</u>	<u>7,419,229</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,698,059	-	34,000	2,732,059
Special	528,592	-	-	528,592
Other	570,450	-	234,399	804,849
	<u>3,797,101</u>	<u>-</u>	<u>268,399</u>	<u>4,065,500</u>
Support services:				
Student	191,651	-	-	191,651
Instructional staff	247,878	-	-	247,878
Administration	540,938	-	47,285	588,223
Operation and maintenance of plant	444,997	-	34,304	479,301
Transportation	210,993	16,324	-	227,317
	<u>1,636,457</u>	<u>16,324</u>	<u>81,589</u>	<u>1,734,370</u>
Capital outlay	-	657,943	-	657,943
Long term debt:				
Principal	-	-	375,765	375,765
Interest and fiscal charges	-	-	168,688	168,688
	<u>-</u>	<u>-</u>	<u>544,453</u>	<u>544,453</u>
Other expenditures:				
AEA flowthrough	202,344	-	-	202,344
Total expenditures	<u>5,635,902</u>	<u>674,267</u>	<u>894,441</u>	<u>7,204,610</u>
Excess(Deficiency) of revenues over(under) expenditures	558,835	(33,999)	(310,217)	214,619
Other financing sources(uses):				
Transfer in	-	-	392,954	392,954
Transfer out	-	(392,954)	-	(392,954)
Sale of equipment	3,720	-	-	3,720
Total other financing sources(uses)	<u>3,720</u>	<u>(392,954)</u>	<u>392,954</u>	<u>3,720</u>
Net change in fund balances	562,555	(426,953)	82,737	218,339
Fund balances beginning of year	<u>410,297</u>	<u>217,391</u>	<u>188,470</u>	<u>816,158</u>
Fund balances end of year	<u>\$ 972,852</u>	<u>(209,562)</u>	<u>271,207</u>	<u>1,034,497</u>

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON 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)		\$ 218,339
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	\$ 286,812	
Depreciation expense	<u>(450,023)</u>	(163,211)
 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.		
		375,765
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it was due.		
		(9,148)
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(2,412)
 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.		
Compensated absences	3,650	
Early retirement	(30,776)	
Other postemployment benefits	<u>(16,129)</u>	<u>(43,255)</u>
 Changes in net assets of governmental activities(page 19)		 <u>\$ 376,078</u>

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 79,958
Due from other governments	7,907
Accounts receivable	1,768
Inventories	4,162
Capital assets, net of accumulated depreciation	46,320
Total assets	<u>140,115</u>
Liabilities	
Salaries and benefits payable	3,671
Unearned revenue	6,147
Total liabilities	<u>9,818</u>
Net Assets	
Invested in capital assets	46,320
Unrestricted	83,977
Total net assets	<u>\$ 130,297</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
Operating Revenues:	
Local sources:	
Charges for services	\$ 183,424
Miscellaneous	3,525
Total operating revenues	186,949
Operating Expenses:	
Support services:	
Operation and maintenance of plant:	
Services	976
Supplies	3,702
	4,678
Non-instructional programs:	
Food service operations:	
Salaries	128,698
Benefits	24,784
Supplies	187,974
Depreciation	8,012
	349,468
Total operating expenses	354,146
Operating loss	(167,197)
Non-operating Revenues:	
State sources	2,967
Federal sources	142,681
Total non-operating revenues	145,648
Change in net assets	(21,549)
Net assets beginning of year	151,846
Net assets end of year	\$ 130,297

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 185,411
Cash received from miscellaneous sources	3,525
Cash payments to employees for services	(158,769)
Cash payments to suppliers for goods or services	(169,389)
Net cash used in operating activities	(139,222)
Cash flows from non-capital financing activities:	
State grants received	2,967
Federal grants received	122,599
Net cash provided by non-capital financing activities	125,566
Cash flows from capital and related financing activities:	
Purchase of capital assets	(12,399)
Net decrease in cash and cash equivalents	(26,055)
Cash and cash equivalents at beginning of year	106,013
Cash and cash equivalents at end of year	\$ 79,958
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (167,197)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	20,082
Depreciation	8,012
Decrease in inventories	3,195
Increase in accounts receivable	(7,531)
Decrease in accounts payable	(14)
Increase in salaries and benefits payable	2,620
Increase in unearned revenue	1,611
Net cash used in operating activities	\$ (139,222)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$20,082 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 185,354
Liabilities	
Scholarships payable	1,500
Net Assets	
Restricted for scholarships	89,470
Unrestricted	94,384
Total net assets	\$ 183,854

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 4,772
Contributions	83,751
Total additions	88,523
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	86,707
Change in net assets	1,816
Net assets beginning of year	182,038
Net assets end of year	\$ 183,854

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

A. Reporting Entity

For financial reporting purposes, Audubon 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 Audubon 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 Audubon and Guthrie Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value 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 and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally

imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the other expenditures functional area exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,517,388 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Standard & Poor's Financial Services.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 238,617
Debt Service	Capital Projects: Physical Plant and Equipment Levy	154,337
Total		<u>\$ 392,954</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for interest payments on the District's bus lease and general obligation bond indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for all of the principal payment on the District's bus lease and one-half of the principal payment on the District's general obligation bond indebtedness.

(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	\$ 3,200	-	-	3,200
Total capital assets not being depreciated	<u>3,200</u>	<u>-</u>	<u>-</u>	<u>3,200</u>
Capital assets being depreciated:				
Buildings	13,728,138	88,085	-	13,816,223
Land improvements	858,647	25,803	-	884,450
Machinery and equipment	1,868,321	172,924	-	2,041,245
Total capital assets being depreciated	<u>16,455,106</u>	<u>286,812</u>	<u>-</u>	<u>16,741,918</u>
Less accumulated depreciation for:				
Buildings	7,201,972	284,927	-	7,486,899
Land improvements	648,433	44,222	-	692,655
Machinery and equipment	1,304,777	120,874	-	1,425,651
Total accumulated depreciation	<u>9,155,182</u>	<u>450,023</u>	<u>-</u>	<u>9,605,205</u>
Total capital assets being depreciated, net	<u>7,299,924</u>	<u>(163,211)</u>	<u>-</u>	<u>7,136,713</u>
Governmental activities capital assets, net	<u>\$ 7,303,124</u>	<u>(163,211)</u>	<u>-</u>	<u>7,139,913</u>
Business type activities:				
Machinery and equipment	\$ 213,863	12,399	-	226,262
Less accumulated depreciation	171,930	8,012	-	179,942
Business type activities capital assets, net	<u>\$ 41,933</u>	<u>4,387</u>	<u>-</u>	<u>46,320</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,386
Special		-
Other		6,534
Support services:		
Instructional staff		39,422
Administration		-
Operation and maintenance of plant		9,879
Transportation		60,652
Unallocated depreciation		<u>329,150</u>
Total governmental activities depreciation expense		<u>\$ 450,023</u>
Business type activities:		
Food services		<u>\$ 8,012</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,930,000	-	210,000	3,720,000	220,000
Bus leases	59,831	-	59,831	-	-
Computer lease	377,728	-	105,934	271,794	107,680
Early retirement	65,224	72,000	41,224	96,000	60,000
Compensated absences	8,406	4,756	8,406	4,756	4,756
Net OPEB liability	23,401	16,129	-	39,530	-
Total	\$ 4,464,590	92,885	425,395	4,132,080	392,436

General Obligation Bonds Payable

Details of the District's June 30, 2012 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond issue dated July 1, 2005			
	Interest Rates	Principal	Interest	Total
2013	4.13	% \$ 220,000	150,642	370,642
2014	4.13	230,000	141,568	371,568
2015	4.13	240,000	132,080	372,080
2016	3.70	250,000	122,180	372,180
2017	3.80	260,000	112,930	372,930
2018-2022	3.88-4.10	1,470,000	403,850	1,873,850
2023-2025	4.15-4.25	1,050,000	89,840	1,139,840
Total		\$ 3,720,000	1,153,090	4,873,090

Computer Lease Payable

Details of the District's June 30, 2012 computer lease indebtedness are as follows:

Year Ending June 30,	Computer lease dated December 20, 2010			
	Interest Rates	Principal	Interest	Total
2013	1.65	% \$ 107,680	4,482	112,162
2014	1.65	109,456	2,706	112,162
2015	1.65	54,658	1,423	56,081
Total		\$ 271,794	8,611	280,405

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. During the year ended June 30, 2012, the District paid \$41,224 of early retirement benefit payments.

(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 contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$297,183, \$247,284, and \$237,748, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 49 active and 8 members in the plan. Participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Principal. Retirees under age 65 pay the same premium for the medical benefit 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 any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 28,132
Interest on net OPEB obligation	585
Adjustment to annual required contribution	(2,565)
Annual OPEB cost	<u>26,152</u>
Contributions made	(10,023)
Increase in net OPEB obligation	<u>16,129</u>
Net OPEB obligation beginning of year	<u>23,401</u>
Net OPEB obligation end of year	<u><u>\$ 39,530</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$10,023 to the medical plan. Plan members eligible for the plan contributed \$43,036 or 81.11% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 25,195	47.77%	\$ 13,159
2011	24,950	58.95%	23,401
2012	26,152	38.33%	39,530

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$208,214 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$208,214. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,278,146 and the ratio of the UAAL to covered payroll was 9.14%. 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 events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend rate is 6%.

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

Projected claim costs of the medical plan are \$502 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Audubon 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 \$202,344 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 District had a deficit fund balance of \$440,063 in the Capital Projects: Other Capital Projects account as of June 30, 2012.

(11) Budget Over Expenditure

During the year ended June 30, 2012, expenditures in the other expenditures functional area exceeded the amounts budgeted.

(12) Categorical Funding

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

Project	Amount
Gifted and Talented Programs	\$ 151,636
Dropout and Dropout Prevention	124,931
Teacher Salary Supplement	102,525
Statewide Voluntary Preschool	35,060
Professional Development for Model Core Curriculum	12,854
Professional Development	4,348
Total	<u>\$ 431,354</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,309,683	186,949	4,496,632	4,166,885	4,166,885	329,747
State sources	2,834,567	2,967	2,837,534	3,062,352	3,062,352	(224,818)
Federal sources	274,979	142,681	417,660	280,000	280,000	137,660
Total revenues	7,419,229	332,597	7,751,826	7,509,237	7,509,237	242,589
Expenditures/Expenses:						
Instruction	4,065,500	-	4,065,500	4,900,928	4,900,928	835,428
Support services	1,734,370	4,678	1,739,048	1,776,500	2,156,005	416,957
Non-instructional programs	-	349,468	349,468	512,274	425,844	76,376
Other expenditures	1,404,740	-	1,404,740	1,183,318	1,183,318	(221,422)
Total expenditures/expenses	7,204,610	354,146	7,558,756	8,373,020	8,666,095	1,107,339
Deficiency of revenues under expenditures/expenses	214,619	(21,549)	193,070	(863,783)	(1,156,858)	1,349,928
Other financing sources, net	3,720	-	3,720	-	-	3,720
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	218,339	(21,549)	196,790	(863,783)	(1,156,858)	1,353,648
Balances beginning of year	816,158	151,846	968,004	813,860	813,860	154,144
Balances end of year	\$ 1,034,497	130,297	1,164,794	(49,923)	(342,998)	1,507,792

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AUDUBON 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$293,075.

During the year ended June 30, 2012, expenditures in the other expenditures functional area exceeded the amounts budgeted.

AUDUBON 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 208,214	208,214	0.00%	\$ 2,267,295	9.18%
2011	July 1, 2009	-	208,214	208,214	0.00%	2,230,208	9.34%
2012	July 1, 2009	-	208,214	208,214	0.00%	2,278,146	9.14%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

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

	Special Revenue				Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	
Assets					
Cash and pooled investments	\$ 130,873	126,999	257,872	-	257,872
Receivables:					
Property tax:					
Delinquent	4,930	-	4,930	10,460	15,390
Succeeding year	130,000	-	130,000	371,143	501,143
Accounts	-	1,283	1,283	-	1,283
Total assets	\$ 265,803	128,282	394,085	381,603	775,688
Liabilities and Fund Balances					
Liabilities:					
Warrants issued over bank balance	\$ -	-	-	792	792
Accounts payable	-	2,546	2,546	-	2,546
Deferred revenue:					
Succeeding year property tax	130,000	-	130,000	371,143	501,143
Total liabilities	130,000	2,546	132,546	371,935	504,481
Fund balances:					
Restricted for:					
Debt service	-	-	-	9,668	9,668
Management levy purposes	135,803	-	135,803	-	135,803
Student activities	-	125,736	125,736	-	125,736
Total fund balances	135,803	125,736	261,539	9,668	271,207
Total liabilities and fund balances	\$ 265,803	128,282	394,085	381,603	775,688

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue			Total	
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Revenues:					
Local sources:					
Local tax	\$ 152,857	-	152,857	159,878	312,735
Other	500	270,837	271,337	-	271,337
State sources	76	-	76	76	152
Total revenues	153,433	270,837	424,270	159,954	584,224
Expenditures:					
Current:					
Instruction:					
Regular	34,000	-	34,000	-	34,000
Other	-	234,399	234,399	-	234,399
Support services:					
Administration	47,285	-	47,285	-	47,285
Operation and maintenance of plant	34,304	-	34,304	-	34,304
Long term debt:					
Principal	-	-	-	375,765	375,765
Interest and fiscal charges	-	-	-	168,688	168,688
Total expenditures	115,589	234,399	349,988	544,453	894,441
Excess(Deficiency) of revenues over(under) expenditures	37,844	36,438	74,282	(384,499)	(310,217)
Other financing sources:					
Transfer in	-	-	-	392,954	392,954
Net change in fund balances	37,844	36,438	74,282	8,455	82,737
Fund balances beginning of year	97,959	89,298	187,257	1,213	188,470
Fund balances end of year	\$ 135,803	125,736	261,539	9,668	271,207

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 35,577	-	30,582	66,159
Receivables:				
Property tax:				
Delinquent	-	-	7,245	7,245
Succeeding year	-	-	206,189	206,189
Due from other funds	10,030	-	-	10,030
Due from other governments	152,922	-	-	152,922
Total assets	\$ 198,529	-	244,016	442,545
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ -	10,030	-	10,030
Accounts payable	-	430,033	5,855	435,888
Deferred revenue:				
Succeeding year property tax	-	-	206,189	206,189
Total liabilities	-	440,063	212,044	652,107
Fund balances:				
Restricted for:				
School infrastructure	198,529	-	-	198,529
Physical plant and equipment	-	-	31,972	31,972
Unassigned	-	(440,063)	-	(440,063)
Total fund balances	198,529	(440,063)	31,972	(209,562)
Total liabilities and fund balances	\$ 198,529	-	244,016	442,545

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 438,310	-	200,838	639,148
Other	19	-	1,002	1,021
State sources	-	-	99	99
Total revenues	438,329	-	201,939	640,268
Expenditures:				
Current:				
Support services:				
Transportation	-	-	16,324	16,324
Capital outlay	210,627	440,063	7,253	657,943
Total expenditures	210,627	440,063	23,577	674,267
Excess(Deficiency) of revenues over(under) expenditures	227,702	(440,063)	178,362	(33,999)
Other financing uses:				
Transfer out	(238,617)	-	(154,337)	(392,954)
Net change in fund balances	(10,915)	(440,063)	24,025	(426,953)
Fund balances beginning of year	209,444	-	7,947	217,391
Fund balances end of year	\$ 198,529	(440,063)	31,972	(209,562)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AUDUBON 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	Balance End of Year
Drama	2,699	3,938	2,130	4,507
Speech	3,071	1,585	3,122	1,534
Cross Country	23	597	595	25
Athletics	6,365	81,669	59,672	28,362
Boys Basketball	1,387	889	1,789	487
Football	1,131	790	200	1,721
Youth Wrestling	4,068	2,884	1,564	5,388
Baseball	122	1,445	879	688
Boys Track	521	75	-	596
Boys Tennis	50	150	100	100
Boys Golf	92	495	506	81
Weight Room	585	2,300	2,520	365
Wrestling	1,208	12,506	10,034	3,680
Girls Basketball	1,584	2,792	2,794	1,582
Volleyball	1,889	3,137	3,153	1,873
Softball	660	571	588	643
Girls Track	287	1,349	1,573	63
Girls Tennis	50	315	294	71
Girls Golf	1	-	-	1
Greenhouse	1,570	4,054	3,159	2,465
Elementary Music	33	-	-	33
Annual	11,932	13,353	12,316	12,969
Concessions	3,137	26,718	26,774	3,081
Show and Jazz Choir	4,386	4,743	5,492	3,637
Restricted	123	-	-	123
Class of 2012	4,915	625	3,739	1,801
Class of 2013	55	16,782	12,054	4,783
Class of 2014	30	-	-	30
AFS Club	117	-	35	82
Art Club	350	710	733	327
Future Homemakers of America	5	-	5	-
Future Farmers of America	29,950	63,079	54,408	38,621
National Honor Society	1,004	789	1,245	548
Peer Helpers	13	-	13	-
Cheerleaders - Pep Club	393	3,997	3,649	741
Spanish Club	125	-	125	-
Drill Team	3,090	10,607	10,706	2,991
IT Club	492	821	604	709
JEL	322	485	234	573
Student Senate	907	6,502	7,409	-
JH Student Senate	556	85	186	455
Total	<u>\$ 89,298</u>	<u>270,837</u>	<u>234,399</u>	<u>125,736</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AUDUBON 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	\$ 3,543,043	3,259,614	2,818,020	2,610,627	2,464,714	2,458,077	2,332,913	2,284,320	1,966,025
Tuition	345,415	280,978	236,256	228,352	172,064	186,940	159,658	167,763	177,860
Other	421,225	419,438	390,897	359,020	361,219	490,793	647,225	349,229	319,657
State sources	2,834,567	2,864,518	2,585,243	3,180,560	2,916,835	2,997,279	2,839,688	2,913,855	2,662,840
Federal sources	274,979	247,768	596,511	155,376	160,938	171,087	196,279	244,165	176,032
Total	\$ 7,419,229	7,072,316	6,626,927	6,533,935	6,075,770	6,304,176	6,175,763	5,959,332	5,302,414
Expenditures:									
Current:									
Instruction:									
Regular	\$ 2,732,059	2,836,282	2,640,895	2,704,056	2,708,685	2,613,509	2,499,319	2,246,222	2,274,590
Special	528,592	503,902	494,804	554,424	457,369	358,343	407,126	344,316	530,756
Other	804,849	847,392	821,992	685,901	666,897	643,154	756,460	704,122	591,971
Support services:									
Student	191,651	210,420	173,376	227,786	171,316	211,402	186,747	186,202	133,657
Instructional staff	247,878	612,443	249,460	311,173	155,948	193,497	203,637	226,682	208,977
Administration	588,223	591,969	567,626	563,775	606,942	616,883	659,114	651,970	569,298
Operation and maintenance of plant	479,301	516,330	495,165	537,212	539,784	528,328	464,780	492,329	496,297
Transportation	227,317	236,291	350,217	195,892	187,056	412,105	164,608	193,742	220,793
Central support	-	-	-	-	-	-	-	2,237	1,490
Non-instructional programs	-	-	-	-	-	-	-	-	3,923
Capital outlay	657,943	191,948	308,183	129,277	1,302,050	4,044,670	1,061,501	347,370	134,213
Long term debt:									
Principal	375,765	257,337	254,370	241,515	228,799	232,368	125,000	-	-
Interest and fiscal charges	168,688	173,404	180,225	192,330	203,796	203,727	190,794	-	-
Other expenditures:									
AEA flow-through	202,344	229,561	228,735	214,494	199,275	196,875	188,080	188,181	191,517
Total	\$ 7,204,610	7,207,279	6,765,048	6,557,835	7,427,917	10,254,861	6,907,166	5,583,373	5,357,482

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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

To the Board of Education of
Audubon 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 Audubon Community School District 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, and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be 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 and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Audubon 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.

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

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

December 31, 2012

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

Part I: Findings Related to the Basic 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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the certified budget amounts in the other expenditures functions.

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

Response - We will monitor the budget more closely and amend the budget when necessary.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - We noted no disbursement 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.

II-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We have contacted the Iowa Department of Education and the Department of Management to adjust our certified enrollment.

Conclusion - Response accepted.

II-H-12 Supplemental Weighting - No variances 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 - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit.

Beginning Balance		\$ 209,444
Revenues/transfers in:		
Sales tax revenues	\$ 438,310	
Other local revenues	19	438,329
		<u>647,773</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 147,045	
Equipment	13,500	
Other	50,082	
Transfers to Other Funds:		
Debt service fund	238,617	449,244
		<u>449,244</u>
Ending Balance		<u>\$ 198,529</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	<u>\$ 1.22413</u>	<u>\$ 238,617</u>

II-M-12 Financial Condition - The District had a deficit fund balance of \$440,063 in the Capital Projects: Other Capital Projects Fund at June 30, 2012.

Recommendation - The District should investigate alternatives to eliminate the deficit balance in the Capital Projects: Other Capital Projects Fund.

Response - We will eliminate the deficit balance in the Capital Projects: Other Capital Projects Fund.

Conclusion - Response accepted.