



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

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FOR RELEASE _____ December 10, 2004 _____

Auditor of State David A. Vaudt today released a reaudit report on the A-H-S-T Community School District for the period July 1, 2002 through June 30, 2003. The reaudit also covered certain items to determine practices applicable to the year ended June 30, 2002 and the year ended June 30, 2004. The reaudit was performed at the request of citizens of the District.

Vaudt recommended the District ensure compliance with the District's competitive bidding policy and maintain minutes documentation to demonstrate compliance with Chapter 21 of the Code of Iowa. Recommendations were also made to the District regarding capital assets reporting, Student Activity Funds and a corrective transfer. The District responded favorably to the recommendations contained in the reaudit report.

A copy of the reaudit report is available for review in the Office of Auditor of State and in the District Secretary's office. The report is also available on the Auditor of State's web site at: www.state.ia.us/government/auditor/reports.

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A-H-S-T COMMUNITY SCHOOL DISTRICT
AUDITOR OF STATE'S REPORT ON REAUDIT
FOR THE PERIOD
JULY 1, 2002 THROUGH JUNE 30, 2003

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A-H-S-T Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2002 Election)		
John Pattee	President	2002
Kathy Jensen	Vice-President	2002
Nancy Gress	Board Member	2002
Greg Becker	Board Member	2003
Dean Krohn	Board Member	2003
Sandra Dea	Board Member	2004
Laurie Fell	Board Member	2004

(After September 2002 Election)

John Pattee	President	2005
Sandra Dea	Vice President	2004
Greg Becker	Board Member	2003
Dean Krohn	Board Member	2003
Laurie Fell	Board Member	Resigned
Monte Riesgaard (Elected)	Board Member	2004
Darlene McMartin	Board Member	2005
Mark Schroder	Board Member	2005

District Officials

Dan Frazier	Superintendent	2003
Nancy Collins	District Secretary/Treasurer and Business Manager	2003
Drew Bracken	Attorney	2003

A-H-S-T Community School District



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Independent Auditor's Report on Reaudit

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

We received a request to perform a reaudit of the A-H-S-T Community School District under Chapter 11.6(4) of the Code of Iowa. As a result, we reviewed the audit report and workpapers of the District's independent auditing firm for the fiscal year ended June 30, 2003. We determined a partial reaudit was necessary to further investigate specific issues identified in the request for reaudit or through our preliminary review. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the A-H-S-T Community School District for the period July 1, 2002 through June 30, 2003. We also inquired and performed procedures for certain items to determine practices applicable to the year ended June 30, 2002 and the year ended June 30, 2004. The procedures we performed are summarized as follows:

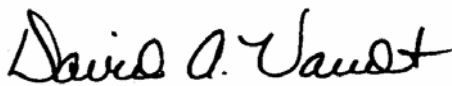
1. We reviewed the variances between the amounts reported for capital assets in the audit reports and the Certified Annual Reports for fiscal years 2002 and 2003.
2. We reviewed the propriety of accounts reported in the District's Student Activity Fund.
3. We reviewed authorized check signers for the Student Activity Fund and the District's compliance with Chapter 291.1 of the Code of Iowa.
4. We reviewed and tested compliance with the Local Option Sales and Services Tax (LOSST) referendum and Chapter 422E of the Code of Iowa.
5. We reviewed and tested the District's compliance with the terms and conditions applicable to District scholarships.
6. We obtained and reviewed the District's policy pertaining to competitive bidding requirements and its contract with Heartland Technology Solutions for compliance with the District's policy.
7. We reviewed the District's minutes record for compliance with certain requirements of Chapter 21 of the Code of Iowa.
8. We reviewed and tested certain expenditures from the District's Management Levy for compliance with Chapter 298.4 of the Code of Iowa.
9. We obtained and reviewed the District's investment policy and investments to determine compliance with Chapter 12B.10 of the Code of Iowa.
10. We reviewed the District's compliance with the requirements for unclaimed property included in Chapter 556.11 of the Code of Iowa.

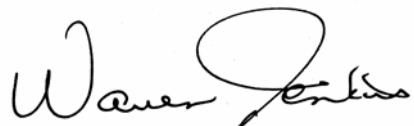
11. We reviewed the District's compliance with student achievement and teacher quality program requirements included in Chapter 284.1 of the Code of Iowa.
12. We inquired as to whether the District participated in the National School Fitness Foundation program.

Based on the performance of the procedures described above, we have various recommendations for the District. Our recommendations and the instances of non-compliance are described in the Detailed Findings of this report. Unless reported in the Detailed Findings, no other items of non-compliance were noted during the performance of the specific procedures listed above.

The procedures described above are substantially less in scope than an audit of financial statements made in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion on financial statements. Accordingly, we do not express an opinion. Had we performed additional procedures or had we performed an audit of the A-H-S-T Community School District, additional matters might have come to our attention that would have been reported to you. A copy of this reaudit report has been filed with the Iowa Department of Education.

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 31, 2004

Detailed Findings

A-H-S-T Community School District

Detailed Findings

July 1, 2002 through June 30, 2003

- (A) Capital Assets – The amounts reported in the District’s fiscal 2003 audit report for capital assets varied significantly from District records and the amounts reported on the District’s fiscal 2003 Certified Annual Report (CAR). According to the District’s records, the fiscal 2003 CAR correctly reflected the capital asset activity. However, the fiscal 2003 audit report did not properly report the beginning balance, additions, deletions or ending balance. Specifically, the beginning balance was understated by \$1,860,138, additions and deletions were not reported in the audit report and the ending balance was overstated by \$2,484,165.

Recommendation – The District should review this with the independent certified public accountants performing the District’s fiscal 2004 audit to ensure complete and accurate reporting of capital assets for fiscal 2004, including a prior period adjustment, if appropriate.

Response – The A-H-S-T Business Manager will review this topic with our independent auditing firm and correct the discrepancy.

Conclusion – Response accepted.

- (B) Student Activity Fund – The Iowa Department of Education’s Uniform Administrative Procedures for Iowa School Officials, Chapter 9, states “The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students...” It further states, “Revenue sources include ... any other receipts derived from student body cocurricular or extracurricular activities...” and “Appropriate expenditures include the ordinary and necessary expenses of operating district sponsored and supervised student cocurricular and extracurricular activities.”

The District’s Student Activity Fund included accounts with balances for registration fees totaling \$5,350.18, miscellaneous expenses-general totaling \$(9,220.95) and revolving totaling \$44,978.66. The District also had several accounts with negative balances, including a Padlock account with a negative balance of \$(43,290.12) and four class accounts for classes that had graduated in prior years.

In August 2004, the District Secretary made adjusting journal entries to eliminate and/or adjust the balances in selected Student Activity Fund accounts. Determination as to which accounts were adjusted, the amount of adjustment and supervisory approval of the adjustments were not readily apparent.

With the conversion to reporting in accordance with U.S. generally accepted accounting principles (GAAP) in fiscal 1996, Student Activity accounts that were cocurricular in nature were to be classified as Special Revenue Funds in accordance with Chapter 298A of the Code of Iowa. The other accounts were to be reviewed and reclassified to the most appropriate fund. The Iowa Department of Education provided guidance on reclassification of the Student Activity Funds in a School Business Alert dated March 1995.

Miscellaneous and Revolving accounts should have been eliminated and reclassified to another appropriate fund prior to July 1, 1995. Class accounts for the graduating class should be closed at the end of the applicable fiscal year. Negative balances should be monitored for propriety. Except in limited circumstances, such as resale accounts with inventory, a negative balance generally indicates the District has allowed certain activities to use other activity funds revenue rather than requiring the activity to earn its own revenue prior to allowing expenditures from the activity account. This lack of internal control can result in deficit spending that is often difficult to correct.

Subsequent to the adjusting journal entry, the registration fee account, with a balance of \$5,350.18 as of June 30, 2003, was eliminated, but another registration fee account, with a balance of \$1,191.00, was included on the District's Activity Summary Report as of June 30, 2004. Registration fees should be transferred to the District's General Fund rather than to other Student Activity Fund accounts. The District should review these accounts to determine the actual amount of registration fees collected and make a corrective transfer to the General Fund. In the future, registration fees collected should be transferred to the General Fund or other appropriate fund in a timely manner since the Student Activity Fund should not be reporting or retaining income from registration fees.

Recommendation – We were unable to determine the propriety of the significant negative balance of \$(23,260.12) as of June 30, 2004 remaining in the Padlock account after the adjusting journal entry. The Revolving and Miscellaneous accounts were eliminated by adjusting journal entry. The District should review these accounts and the adjusting journal entry for propriety and approval. If applicable, the District should reclassify the balances to the most appropriate fund and/or other student activity account. To the extent the District is unable to determine the proper reclassification of any account balance, the District should transfer the remaining balance to the General Fund. The Board should review and approve the reclassifications and transfers.

Response – The A-H-S-T Community School District agrees with your recommendations and will correct immediately. We will work closely with Data Team on eliminating negative balances and inactive accounts.

Conclusion – Response accepted.

- (C) Local Option Sales and Services Tax (LOSST) – The District received and recorded revenue for a fire safety grant in the Special Revenue Fund, Physical Plant and Equipment Levy (PEL) Account but paid for the expenditures from the Capital Projects Fund, LOSST Account. The District's independent auditors reflected a corrective transfer totaling \$9,568 in the fiscal 2003 audit report. However, the District did not make a corrective transfer in the District records.

Recommendation – The District should make the corrective transfer of \$9,568 from the PEL Account to the Capital Projects Fund, LOSST Account.

Response – The A-H-S-T Community School District will make the corrective transfer in November 2004.

Conclusion – Response accepted.

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- (D) Scholarships – In fiscal 1998, the District received \$173,514 from the estate of Daisy Petersen. According to the terms of the gift, the purpose was to establish and maintain “from the earnings thereof, scholarships to be awarded each year to the outstanding girl and boy in a government class.”

As of June 30, 2003, the District reported the Petersen Scholarship, with a total of \$195,814 in principal and interest, as an Expendable Trust Fund.

Recommendation – The District has not expended any portion of the principal. However, in accordance with the terms of the gift, the District should segregate the principal and interest for the Petersen Scholarship account. For fiscal 2004, the principal of \$173,514 should be reported as a Permanent Trust Fund and the balance, including any interest earned less expenditures for scholarships, should be reported in the Special Revenue Fund.

Response – A-H-S-T Community School District will work with our independent auditing firm to segregate the principal and interest for the Petersen Scholarship account.

Conclusion – Response accepted.

- (E) Competitive Bidding – The District’s purchasing-bidding policy, number 705.1 states in part: “Competitive sealed bids are required for purchases, other than emergency purchases, for goods and services that cost \$25,000 or more, including construction contracts and school buses.” During the year ended June 30, 2004, the District entered into a contract with Heartland Technology Solutions to provide network and technology coordination and implementation of the District’s technology plans. According to the contract, the cost will be capped at \$3,500 per month for a twelve month period resulting in a maximum total cost of \$42,000.

Recommendation – The District should have competitively bid this contract as required by its purchasing-bidding policy. The District should consult legal counsel to determine the disposition of this matter. In addition, the District should implement procedures to ensure compliance with its competitive bidding requirements in the future.

Response – The A-H-S-T Community School District agrees with your conclusions and recommendations. The District will follow its policies in regards to competitive bidding requirements.

Conclusion – Response accepted.

- (F) Minutes – Chapter 21.3 of the Code of Iowa states in part: “Each governmental body shall keep minutes of all its meetings showing the date, time and place, the members present, and the action taken at each meeting. The minutes shall show the results of each vote taken and information sufficient to indicate the vote of each member present. The vote of each member present shall be made public at the open session. The minutes shall be public records open to public inspection.” The District’s minutes record only reflected “motion carried”.

Recommendation – The District’s minutes record should reflect the results of each vote taken and information sufficient to indicate the vote of each board member present in accordance with the requirements of Chapter 21.3 of the Code of Iowa.

Response – We agree with your recommendation. We have implemented this recommendation.

Conclusion – Response accepted.

- (G) Closed Meetings – Chapter 21.5 of the Code of Iowa provides the specific purposes a governmental body may hold a closed session. When the District held closed sessions during the year, the District provided a brief description for the closed session(s) but did not always identify the specific statutory section allowing the closed session.

Recommendation – The District should identify the specific statutory authority allowing the closed session including documentation of the request to close the session or hold an open session, when applicable.

Response – We agree with your recommendation. We have implemented this recommendation.

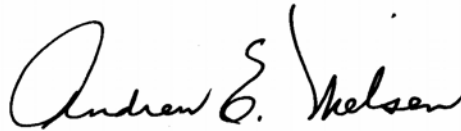
Conclusion – Response accepted.

A-H-S-T Community School District

Staff

This reaudit was performed by:

Susan D. Battani, CPA, Director
Kathleen S. Caggiano, Staff Auditor
Daniel L. Durbin, CPA, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State