

A-H-S-T COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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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		
Bernadette Hatch	President	2013
Allen Cordes	Vice President	2015
William Hardisty	Board Member	2013
Keith Holtz	Board Member	2013
Russell Sturm	Board Member	2015
Kimberly Wise	Board Member	2015
Steve Kock	Board Member	2013

School Officials

Mark Hopkins	Superintendent	2013
Kelly Allen	District Secretary/Treasurer and Business Manager	2013
Brian Gruhn	Attorney	2013

A-H-S-T Community School District



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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of A-H-S-T Community School District, Avoca, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 A-H-S-T Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 16 and 44 through 46 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise A-H-S-T Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2014 on our consideration of A-H-S-T Community School District's internal control over financial reporting and on 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 in considering A-H-S-T Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

A-H-S-T Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,170,722 in fiscal 2012 to \$5,790,897 in fiscal 2013, while General Fund expenditures increased from \$5,538,391 in fiscal 2012 to \$5,728,861 in fiscal 2013. The District's General Fund balance increased from \$1,943,805 in fiscal 2012 to a balance of \$2,005,841 in fiscal 2013, a 3.19% increase from the prior year.
- The decrease in General Fund revenues was due primarily to a decrease in local tax and state source revenues in fiscal 2013. The increase in expenditures was due primarily to an increase in the support services functional area.

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 Position and a Statement of Activities. These provide information about the activities of A-H-S-T Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report A-H-S-T Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which A-H-S-T Community School District acts solely as an agent or custodian 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-1
A-H-S-T Community School District Annual Financial Report

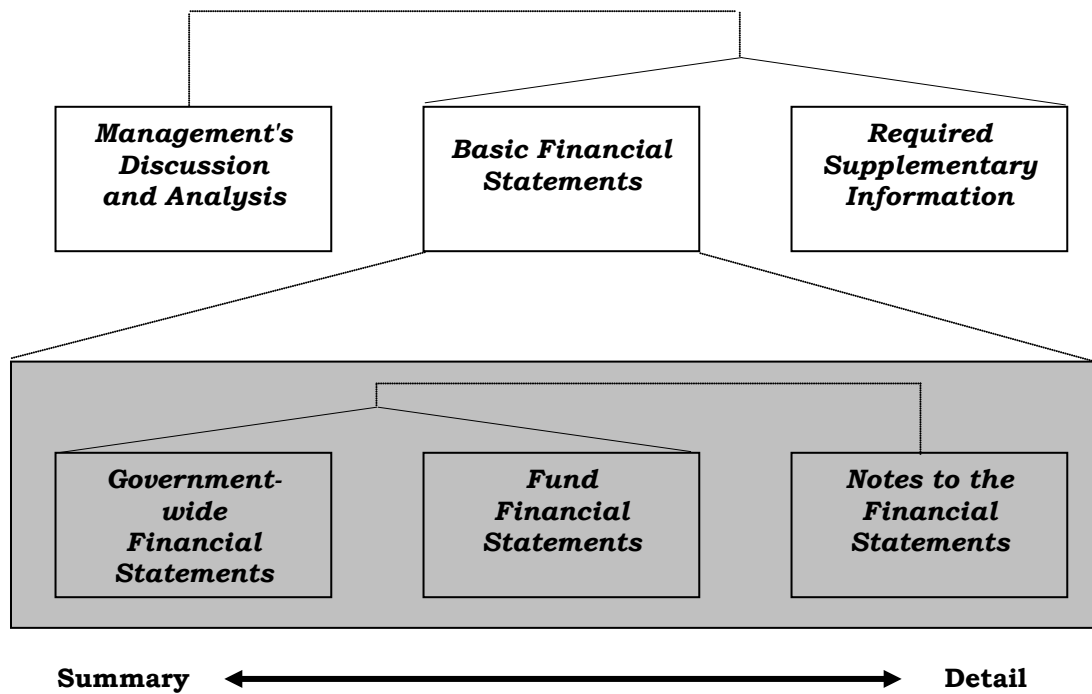


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how it has changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is 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, Debt Service Fund, Capital Projects Fund and Special Revenue Funds.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 7,003,554	7,046,270	71,268	60,482	7,074,822	7,106,752	-0.45%
Capital assets	9,387,418	9,632,043	66,559	74,005	9,453,977	9,706,048	-2.60%
Total assets	16,390,972	16,678,313	137,827	134,487	16,528,799	16,812,800	-1.69%
Long-term obligations	5,000,401	5,711,410	-	-	5,000,401	5,711,410	-12.45%
Other liabilities	3,370,989	3,490,160	14,800	10,215	3,385,789	3,500,375	-3.27%
Total liabilities	8,371,390	9,201,570	14,800	10,215	8,386,190	9,211,785	-8.96%
Net position:							
Invested in capital assets, net of related debt	4,652,418	4,104,607	66,559	74,005	4,718,977	4,178,612	12.93%
Restricted	1,613,360	1,645,755	-	-	1,613,360	1,645,755	-1.97%
Unrestricted	1,753,804	1,726,381	56,468	50,267	1,810,272	1,776,648	1.89%
Total net position	\$ 8,019,582	7,476,743	123,027	124,272	8,142,609	7,601,015	7.13%

The District's combined net position increased by \$541,594, or 7.13% over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$32,395, or 1.97%. The decrease in restricted net position is a result of a decrease in the fund balance of the Capital Projects: Physical Plant and Equipment Levy Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased by \$33,624, or 1.89%. The increase in unrestricted net position is due primarily to the increase in fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues and transfers:							
Program revenues:							
Charges for service	\$ 584,125	507,393	138,166	142,525	722,291	649,918	11.14%
Operating grants, contributions and restricted interest	530,153	547,906	143,864	127,525	674,017	675,431	-0.21%
Capital grants, contributions and restricted interest	2,000	3,286	-	-	2,000	3,286	-39.14%
General revenues and transfers:							
Property tax	2,803,276	3,128,982	-	-	2,803,276	3,128,982	-10.41%
Income surtax	321,106	95,953	-	-	321,106	95,953	234.65%
Statewide sales, services and use tax	537,756	488,930	-	-	537,756	488,930	9.99%
Unrestricted state grants	2,421,752	2,634,291	-	-	2,421,752	2,634,291	-8.07%
Nonspecific program federal grants	-	77,800	-	-	-	77,800	-100.00%
Unrestricted investment earnings	4,684	3,322	-	-	4,684	3,322	41.00%
Other general revenues	29,459	33,820	40	-	29,499	33,820	-12.78%
Transfers	-	363	-	(363)	-	-	0.00%
Total revenues and transfers	7,234,311	7,522,046	282,070	269,687	7,516,381	7,791,733	-3.53%
Program expenses:							
Instruction	4,267,490	4,146,557	-	-	4,267,490	4,146,557	2.92%
Support services	1,708,301	1,450,272	9,128	8,323	1,717,429	1,458,595	17.75%
Non-instructional programs	-	-	274,187	264,941	274,187	264,941	3.49%
Other expenses	715,681	730,121	-	-	715,681	730,121	-1.98%
Total expenses	6,691,472	6,326,950	283,315	273,264	6,974,787	6,600,214	5.68%
Change in net position	542,839	1,195,096	(1,245)	(3,577)	541,594	1,191,519	54.55%
Net position beginning of year	7,476,743	6,281,647	124,272	127,849	7,601,015	6,409,496	18.59%
Net position end of year	\$ 8,019,582	7,476,743	123,027	124,272	8,142,609	7,601,015	7.13%

In fiscal 2013, property tax and unrestricted state grants accounted for 72.23% of the revenue from governmental activities while charges for service and sales and operating grants and contributions accounted for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$7.52 million, of which approximately \$7.24 million was for governmental activities and approximately \$0.28 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.53% decrease in revenues and a 5.68% increase in expenses. The decrease in revenues is primarily due to the decrease in property tax received during the year. The increase in expenses is primarily due to the increase in support services during the year.

Governmental Activities

Revenues for governmental activities were \$7,234,311 and expenses were \$6,691,472.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,267,490	4,146,557	2.92%	3,384,954	3,324,786	1.81%
Support services	1,708,301	1,450,272	17.79%	1,706,301	1,446,986	17.92%
Other expenses	715,681	730,121	-1.98%	483,939	496,593	-2.55%
Totals	<u>\$ 6,691,472</u>	<u>6,326,950</u>	<u>5.76%</u>	<u>5,575,194</u>	<u>5,268,365</u>	<u>5.82%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$584,125.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$532,153.
- The net cost of governmental activities was financed with \$2,803,276 in property tax, \$321,106 in income surtax, \$537,756 in statewide sales, services and use tax, \$2,421,752 in unrestricted state grants, \$4,684 in interest income and \$29,459 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$282,070 and expenses were \$283,315. 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 other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,360,918, above last year's ending fund balances of \$3,306,100. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increase in fund balance for the Capital Projects: Statewide Sale, Services and Use Tax Fund.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Decreases in property tax and state source revenues led to a decrease in revenues. The decrease in revenues was less than the increase in expenditures thus ensuring the increase in General Fund balance from \$1,943,805 in 2012 to \$2,005,841 in 2013.
- The Management Levy Fund balance increased from \$332,203 at June 30, 2012 to \$459,100 at June 30, 2013. This is primarily due to the increase in property taxes received in fiscal 2013 as compared to the prior year.
- The Capital Projects accounts balance increased from \$497,932 in fiscal 2012 to \$686,534 in fiscal 2013. This can be attributed to the increase in local tax revenue received during the year.

- The Debt Service Fund balance decreased from \$493,512 in fiscal 2012 to \$175,832 in fiscal 2013. The decrease was due to paying the District's indebtedness for the fiscal year.

Proprietary Fund Highlights

- The School Nutrition Fund net position decreased from \$124,272 at June 30, 2012 to \$123,027 at June 30, 2013, representing a decrease of 1.00%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$37,602 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$9,453,977, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.60% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$346,872.

The original cost of the District's capital assets was \$12,924,076. Governmental funds account for \$12,794,982 with the remainder of \$129,094 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 machinery and equipment totaled \$219,163 at June 30, 2013, compared to \$200,108 reported at June 30, 2012. This increase primarily resulted from the District purchasing a new school bus.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 301,028	301,028	-	-	301,028	301,028	0.00%
Buildings	7,718,381	7,912,076	-	-	7,718,381	7,912,076	-2.45%
Land improvements	1,215,405	1,292,836	-	-	1,215,405	1,292,836	-5.99%
Machinery and equipment	152,604	126,103	66,559	74,005	219,163	200,108	9.52%
Total	\$ 9,387,418	9,632,043	66,559	74,005	9,453,977	9,706,048	-2.60%

Long-Term Debt

At June 30, 2013, the District had long-term debt outstanding of \$5,000,401. This represents a decrease of 12.45% from the prior year. (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 \$4,475,000 at June 30, 2013.

The District had outstanding revenue bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$260,000 at June 30, 2013.

At June 30, 2013, the District had an outstanding computer lease obligation of \$107,728 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$50,633 at June 30, 2013.

The District had a net other postemployment benefits liability of \$107,040 at June 30, 2013.

Figure A-7			
Outstanding Long-Term Obligations			
	Total School District		Total Change
	June 30,		June 30,
	2013	2012	2012-13
General obligation bonds	\$ 4,475,000	4,705,000	-4.89%
Revenue bonds	260,000	690,000	-62.32%
Computer lease	107,728	132,436	-18.66%
Termination benefits	50,633	106,539	-52.47%
Net OPEB liability	107,040	77,435	38.23%
Total	<u>\$ 5,000,401</u>	<u>5,711,410</u>	<u>-12.45%</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 supplemental state aid for the 2013-14 school year was set at two percent. There will also be an additional two percent above the state aid payment paid by the state in the 2013-14 school year. The supplemental state aid was set at four percent for the 2014-15 school year. However, the supplemental state aid for the 2015-16 school year has not been set.
- A-H-S-T will explore offering more class choices and hiring additional staff.
- A-H-S-T and Walnut Community School District will begin Whole Grade Sharing 7-12 grades in the fall of 2014.
- On July 1, 2013, the employer IPERS contribution rate increased to 8.93%, which will increase A-H-S-T Community School District's benefit costs during fiscal 2014. The rate will remain the same for fiscal 2015.

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 Kelly Allen, District Secretary/Treasurer and Business Manager, A-H-S-T Community School District, P.O. Box 158, Avoca, Iowa, 51521.

BASIC FINANCIAL STATEMENTS

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,783,000	68,013	3,851,013
Receivables:			
Property tax:			
Delinquent	24,387	-	24,387
Succeeding year property tax	2,706,331	-	2,706,331
Income surtax	294,759	-	294,759
Accounts	18,491	-	18,491
Due from other governments	176,586	-	176,586
Inventories	-	3,255	3,255
Capital assets, net of accumulated depreciation	9,387,418	66,559	9,453,977
TOTAL ASSETS	16,390,972	137,827	16,528,799
LIABILITIES			
Accounts payable	173,502	-	173,502
Salaries and benefits payable	457,189	12,205	469,394
Interest payable	23,112	-	23,112
Deferred revenue:			
Succeeding year property tax	2,706,331	-	2,706,331
Other	10,855	-	10,855
Unearned revenue	-	2,595	2,595
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	240,000	-	240,000
Revenue bonds payable	50,000	-	50,000
Computer lease payable	53,055	-	53,055
Termination benefits payable	50,633	-	50,633
Portion due after one year:			
General obligation bonds payable	4,235,000	-	4,235,000
Revenue bonds payable	210,000	-	210,000
Computer lease payable	54,673	-	54,673
Net OPEB liability	107,040	-	107,040
TOTAL LIABILITIES	8,371,390	14,800	8,386,190
NET POSITION			
Invested in capital assets, net of related debt	4,652,418	66,559	4,718,977
Restricted for:			
Categorical funding	307,891	-	307,891
Debt service	152,720	-	152,720
Management levy purposes	408,467	-	408,467
Student activities	57,748	-	57,748
School infrastructure	565,438	-	565,438
Physical plant and equipment	121,096	-	121,096
Unrestricted	1,753,804	56,468	1,810,272
TOTAL NET POSITION	\$ 8,019,582	123,027	8,142,609

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,113,973	399,429	79,955	-	(2,634,589)	-	(2,634,589)
Special	433,405	45,868	30,401	-	(357,136)	-	(357,136)
Other	720,112	138,828	188,055	-	(393,229)	-	(393,229)
	<u>4,267,490</u>	<u>584,125</u>	<u>298,411</u>	<u>-</u>	<u>(3,384,954)</u>	<u>-</u>	<u>(3,384,954)</u>
Support services:							
Student	74,033	-	-	-	(74,033)	-	(74,033)
Instructional	149,845	-	-	-	(149,845)	-	(149,845)
Administration	728,933	-	-	-	(728,933)	-	(728,933)
Operation and maintenance of plant	438,818	-	-	2,000	(436,818)	-	(436,818)
Transportation	316,672	-	-	-	(316,672)	-	(316,672)
	<u>1,708,301</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>(1,706,301)</u>	<u>-</u>	<u>(1,706,301)</u>
Long-term debt interest	212,813	-	-	-	(212,813)	-	(212,813)
Other expenditures:							
AEA flowthrough	231,742	-	231,742	-	-	-	-
Depreciation (unallocated)*	271,126	-	-	-	(271,126)	-	(271,126)
	<u>502,868</u>	<u>-</u>	<u>231,742</u>	<u>-</u>	<u>(271,126)</u>	<u>-</u>	<u>(271,126)</u>
Total governmental activities	<u>6,691,472</u>	<u>584,125</u>	<u>530,153</u>	<u>2,000</u>	<u>(5,575,194)</u>	<u>-</u>	<u>(5,575,194)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	9,128	-	-	-	-	(9,128)	(9,128)
Non-instructional programs:							
Nutrition services	274,187	138,166	143,864	-	-	7,843	7,843
Total business type activities	<u>283,315</u>	<u>138,166</u>	<u>143,864</u>	<u>-</u>	<u>-</u>	<u>(1,285)</u>	<u>(1,285)</u>
Total	<u>\$ 6,974,787</u>	<u>722,291</u>	<u>674,017</u>	<u>2,000</u>	<u>(5,575,194)</u>	<u>(1,285)</u>	<u>(5,576,479)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 2,294,229	-		2,294,229
Capital outlay				92,940	-		92,940
Debt service				416,107	-		416,107
Income surtax				321,106	-		321,106
Statewide sales, services and use tax				537,756	-		537,756
Unrestricted state grants				2,421,752	-		2,421,752
Unrestricted investment earnings				4,684	-		4,684
Other				29,459	40		29,499
Total general revenues				<u>6,118,033</u>	<u>40</u>		<u>6,118,073</u>
Change in net position				542,839	(1,245)		541,594
Net position beginning of year				7,476,743	124,272		7,601,015
Net position end of year				<u>\$ 8,019,582</u>	<u>123,027</u>		<u>8,142,609</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
ASSETS						
Cash and pooled investments	\$ 2,530,619	456,922	582,604	172,446	40,409	3,783,000
Receivables:						
Property tax:						
Delinquent	18,066	2,178	757	3,386	-	24,387
Succeeding year	1,911,099	275,000	98,344	421,888	-	2,706,331
Income surtax	294,759	-	-	-	-	294,759
Accounts	18,421	-	-	-	70	18,491
Due from other governments	65,234	-	111,352	-	-	176,586
TOTAL ASSETS	\$ 4,838,198	734,100	793,057	597,720	40,479	7,003,554
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 158,455	-	8,179	-	6,868	173,502
Salaries and benefits payable	457,189	-	-	-	-	457,189
Deferred revenue:						
Succeeding year property tax	1,911,099	275,000	98,344	421,888	-	2,706,331
Income surtax	294,759	-	-	-	-	294,759
Other	10,855	-	-	-	-	10,855
Total liabilities	2,832,357	275,000	106,523	421,888	6,868	3,642,636
Fund balances:						
Restricted for:						
Categorical funding	307,891	-	-	-	-	307,891
Debt service	-	-	-	175,832	-	175,832
Management levy purposes	-	459,100	-	-	-	459,100
Student activities	-	-	-	-	57,748	57,748
School infrastructure	-	-	565,438	-	-	565,438
Physical plant and equipment	-	-	121,096	-	-	121,096
Unassigned:						
General	1,697,950	-	-	-	-	1,697,950
Student activities	-	-	-	-	(24,137)	(24,137)
Total fund balances	2,005,841	459,100	686,534	175,832	33,611	3,360,918
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,838,198	734,100	793,057	597,720	40,479	7,003,554

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds (page 20) \$ 3,360,918

***Amounts reported for governmental activities in the
 Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 9,387,418

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. (23,112)

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. 294,759

Long-term liabilities, including general obligation bonds payable, revenue bonds payable, computer lease payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (5,000,401)

Net position of governmental activities (page 18) \$ 8,019,582

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 2,355,970	246,794	630,696	416,107	-	3,649,567
Tuition	427,428	-	-	-	-	427,428
Other	65,057	1,832	2,243	67	133,104	202,303
Intermediate sources	37,778	-	-	-	-	37,778
State sources	2,749,977	-	-	-	-	2,749,977
Federal sources	154,687	-	-	-	-	154,687
TOTAL REVENUES	5,790,897	248,626	632,939	416,174	133,104	7,221,740
EXPENDITURES:						
Current:						
Instruction:						
Regular	2,787,878	55,906	172,736	-	138,141	3,154,661
Special	432,410	-	-	-	-	432,410
Other	723,446	-	-	-	-	723,446
	3,943,734	55,906	172,736	-	138,141	4,310,517
Support services:						
Student	73,220	-	-	-	-	73,220
Instructional staff	146,765	-	-	-	-	146,765
Administration	675,293	36,390	8,179	1,250	-	721,112
Operation and maintenance of plant	384,038	21,966	16,432	-	-	422,436
Transportation	248,667	7,467	84,894	-	-	341,028
	1,527,983	65,823	109,505	1,250	-	1,704,561
Capital outlay	-	-	13,515	-	-	13,515
Long-term debt:						
Principal	-	-	-	792,436	-	792,436
Interest and fiscal charges	-	-	-	221,879	-	221,879
	-	-	-	1,014,315	-	1,014,315
Other expenditures:						
AEA flowthrough	231,742	-	-	-	-	231,742
TOTAL EXPENDITURES	5,703,459	121,729	295,756	1,015,565	138,141	7,274,650
Excess(Deficiency) of revenues over(under) expenditures	87,438	126,897	337,183	(599,391)	(5,037)	(52,910)
Other financing sources(uses):						
Transfer in	-	-	-	281,711	-	281,711
Transfer out	(25,402)	-	(256,309)	-	-	(281,711)
Proceeds from computer lease	-	-	107,728	-	-	107,728
Total other financing sources(uses)	(25,402)	-	(148,581)	281,711	-	107,728
Change in fund balances	62,036	126,897	188,602	(317,680)	(5,037)	54,818
Fund balances beginning of year	1,943,805	332,203	497,932	493,512	38,648	3,306,100
Fund balances end of year	\$ 2,005,841	459,100	686,534	175,832	33,611	3,360,918

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds (page 22) \$ 54,818

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

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

Capital outlay	\$ 92,368	
Depreciation expense	(336,993)	(244,625)

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

9,066

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:

Issued	\$ (107,728)	
Repaid	792,436	684,708

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

12,571

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

Termination benefits	\$ 55,906	
Other postemployment benefits	(29,605)	26,301

Change in net position of governmental activities (page 19) \$ 542,839

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 68,013
Inventories	3,255
Capital assets, net of accumulated depreciation	66,559
TOTAL ASSETS	<u>137,827</u>
LIABILITIES	
Salaries and benefits payable	12,205
Unearned revenue	2,595
TOTAL LIABILITIES	<u>14,800</u>
NET POSITION	
Invested in capital assets	66,559
Unrestricted	56,468
TOTAL NET POSITION	<u>\$ 123,027</u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2013

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 138,166
Miscellaneous	40
TOTAL OPERATING REVENUES	<u>138,206</u>
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	<u>9,128</u>
Non-instructional programs:	
Food service operations:	
Salaries	74,374
Benefits	12,011
Supplies	176,350
Depreciation	9,879
Other	1,573
	<u>274,187</u>
TOTAL OPERATING EXPENSES	<u>283,315</u>
OPERATING LOSS	<u>(145,109)</u>
NON-OPERATING REVENUES:	
State sources	2,913
Federal sources	140,951
TOTAL NON-OPERATING REVENUES	<u>143,864</u>
Change in net position	(1,245)
Net position beginning of year	<u>124,272</u>
Net position end of year	<u><u>\$ 123,027</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	<u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 137,995
Cash received from miscellaneous operating activities	40
Cash payments to employees for services	(81,612)
Cash payments to suppliers for goods or services	(177,932)
Net cash used in operating activities	<u>(121,509)</u>
Cash flows from non-capital financing activities:	
State grants received	2,913
Federal grants received	130,802
Net cash provided by non-capital financing activities	<u>133,715</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	<u>(2,433)</u>
Net increase in cash and cash equivalents	9,773
Cash and cash equivalents at beginning of year	<u>58,240</u>
Cash and cash equivalents at end of year	<u>\$ 68,013</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (145,109)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	10,149
Depreciation	9,879
Increase in inventories	(1,013)
Decrease in accounts payable	(17)
Increase in salaries and benefits payable	4,773
Decrease in unearned revenue	(171)
Net cash used in operating activities	<u>\$ (121,509)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$10,149.

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2013

	Private Purpose Trust
ASSETS	
Cash and pooled investments	\$ 485,882
LIABILITIES	-
NET POSITION	
Restricted for scholarships	\$ 485,882

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust</u>
ADDITIONS:	
Local sources:	
Interest income	<u>\$ 11,561</u>
DEDUCTIONS:	
Instruction:	
Other:	
Scholarships awarded	<u>8,000</u>
Change in net position	3,561
Net position beginning of year	<u>482,321</u>
Net position end of year	<u><u>\$ 485,882</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net Position is 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized to account for the payment of property insurance and termination benefits.

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

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

The District reports the following nonmajor proprietary fund:

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

The District also reports fiduciary funds which focus on net position and changes in net position. 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 position 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.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, District expenditures in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$157,501 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) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
Debt Service	Statewide Sales, Services and Use Tax	\$ 236,101
	Capital Projects:	
Debt Service	Physical Plant and Equipment Levy	20,208
Debt Service	General	25,402
Total		<u>\$ 281,711</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for revenue bond and computer lease principal and interest payments.

The transfers from the Capital Projects: Physical Plant and Equipment Levy Fund and the General Fund to the Debt Service Fund were needed for principal and interest payments on the District's computer lease.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 301,028	-	-	301,028
Total capital assets not being depreciated	<u>301,028</u>	<u>-</u>	<u>-</u>	<u>301,028</u>
Capital assets being depreciated:				
Buildings	9,802,841	-	-	9,802,841
Land improvements	1,725,095	-	-	1,725,095
Machinery and equipment	873,650	92,368	-	966,018
Total capital assets being depreciated	<u>12,401,586</u>	<u>92,368</u>	<u>-</u>	<u>12,493,954</u>
Less accumulated depreciation for:				
Buildings	1,890,765	193,695	-	2,084,460
Land improvements	432,259	77,431	-	509,690
Machinery and equipment	747,547	65,867	-	813,414
Total accumulated depreciation	<u>3,070,571</u>	<u>336,993</u>	<u>-</u>	<u>3,407,564</u>
Total capital assets being depreciated, net	<u>9,331,015</u>	<u>(244,625)</u>	<u>-</u>	<u>9,086,390</u>
Governmental activities capital assets, net	<u>\$ 9,632,043</u>	<u>(244,625)</u>	<u>-</u>	<u>9,387,418</u>
Business type activities:				
Machinery and equipment	\$ 126,661	2,433	-	129,094
Less accumulated depreciation	52,656	9,879	-	62,535
Business type activities capital assets, net	<u>\$ 74,005</u>	<u>(7,446)</u>	<u>-</u>	<u>66,559</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 5,742
Other	2,228
Support services:	
Administration	4,351
Operation and maintenance of plant	2,690
Transportation	50,856
	<u>65,867</u>
Unallocated depreciation	<u>271,126</u>
Total governmental activities depreciation expense	<u>\$ 336,993</u>
Business type activities:	
Food services	<u>\$ 9,879</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 4,705,000	-	230,000	4,475,000	240,000
Revenue bonds	690,000	-	430,000	260,000	50,000
Computer lease	132,436	107,728	132,436	107,728	53,055
Termination benefits	106,539	-	55,906	50,633	50,633
Net OPEB liability	77,435	29,605	-	107,040	-
Total	<u>\$ 5,711,410</u>	<u>137,333</u>	<u>848,342</u>	<u>5,000,401</u>	<u>393,688</u>

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue December 3, 2007		
		Principal	Interest	Total
2014	4.00	% \$ 240,000	181,137	421,137
2015	4.00	250,000	171,538	421,538
2016	4.00	260,000	161,537	421,537
2017	4.00	270,000	151,138	421,138
2018	4.00	285,000	140,337	425,337
2019-2023	4.00-4.05	1,610,000	521,288	2,131,288
2024-2027	4.10-4.15	1,560,000	164,705	1,724,705
Total		<u>\$ 4,475,000</u>	<u>1,491,680</u>	<u>5,966,680</u>

Revenue Bonds

Details of the District's June 30, 2013 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue June 27, 2008		
		Principal	Interest	Total
2014	3.90	% \$ 50,000	10,935	60,935
2015	4.00	50,000	8,935	58,935
2016	4.10	50,000	6,885	56,885
2017	4.20	55,000	4,785	59,785
2018	4.30	55,000	2,420	57,420
Total		\$ 260,000	33,960	293,960

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,575,000 of bonds issued in June 2008. The bonds were issued for the purpose of financing a portion of the costs of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2018. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 86% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$293,960. For the current year, \$430,000 of principal and \$31,541 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$537,756.

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

- a) \$157,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Computer Lease

On May 16, 2013, the District entered into a lease agreement with Apple, Inc. for the purchase of computers. Principal and interest payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's June 30, 2013 computer lease indebtedness is as follows:

Year Ending June 30,	Computer lease dated May 16, 2013				
	Interest Rates		Principal	Interest	Total
2014	3.05	% \$	53,055	3,286	56,341
2015	3.05		54,673	1,668	56,341
			<u>\$ 107,728</u>	<u>4,954</u>	<u>112,682</u>

Termination Benefits (Early Retirement)

The District offered a voluntary early retirement plan from 2007 to 2011 to its certified employees. Eligible employees must be at least age fifty-seven and must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Each participating employee will receive an annual benefit equal to \$10,000. Payment shall be for three years, up to a maximum of \$30,000 and each year the contribution is to be placed in a Health Reimbursement Account for the employee until such time that the maximum dollar amount is reached.

At June 30, 2013, the District had obligations to six participants with a total liability of \$50,633. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$55,906.

(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$257,589, \$251,666, and \$216,847 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical benefits for employees, retirees and their spouses. There are 41 active and 1 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 34,201
Interest on net OPEB obligation	1,936
Adjustment to annual required contribution	<u>(4,301)</u>
Annual OPEB cost	31,836
Contributions made	<u>(2,231)</u>
Increase in net OPEB obligation	29,605
Net OPEB obligation beginning of year	<u>77,435</u>
Net OPEB obligation end of year	<u><u>\$ 107,040</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, 2013.

For the year ended June 30, 2013, the District contributed \$2,231 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$30,578	20.37%	\$50,080
2012	32,078	14.72%	77,435
2013	31,836	7.01%	107,040

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was

\$265,538, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$265,538. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,421,675 and the ratio of the UAAL to covered payroll was 10.97%. As of June 30, 2013, 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, 2012 actuarial valuation date, the entry age actuarial method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(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 \$231,742 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Fund Balance

At June 30, 2013, the Student Activity Fund had eight deficit accounts with a total unassigned fund balance of \$24,137.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

(12) Property Lease Agreement

For the year ended June 30, 2013, the District had a lease with Shelby County Fair Board to rent a parking lot located on the fair grounds. The lease is renewable on an annual basis. The rental payment for fiscal year 2013 was \$3,000.

The District also had a rental agreement with Family Incorporated for the use of one classroom at \$400 per month for adult education classes during the fiscal year. The District received payment of \$4,800 for fiscal year 2013. The agreement will remain in effect until June 30, 2014.

(13) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Weighted at-risk programs	\$ 1,849
Gifted and talented programs	70,256
Returning dropouts and dropout prevention programs	140,922
Teacher salary supplement	52,261
Beginning administrator mentoring and induction program	250
Professional development for model core curriculum	24,854
Professional development	17,499
Total	<u>\$ 307,891</u>

A-H-S-T Community School District



REQUIRED SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,279,298	138,206	4,417,504	4,276,381	4,276,381	141,123
Intermediate sources	37,778	-	37,778	50,000	50,000	(12,222)
State sources	2,749,977	2,913	2,752,890	2,879,827	2,879,827	(126,937)
Federal sources	154,687	140,951	295,638	260,000	260,000	35,638
Total revenues	7,221,740	282,070	7,503,810	7,466,208	7,466,208	37,602
Expenditures/Expenses:						
Instruction	4,310,517	-	4,310,517	4,339,000	4,339,000	28,483
Support services	1,704,561	9,128	1,713,689	2,363,000	2,363,000	649,311
Non-instructional programs	-	274,187	274,187	265,000	265,000	(9,187)
Other expenditures	1,259,572	-	1,259,572	842,876	842,876	(416,696)
Total expenditures/expenses	7,274,650	283,315	7,557,965	7,809,876	7,809,876	251,911
Deficiency of revenues under expenditures/expenses	(52,910)	(1,245)	(54,155)	(343,668)	(343,668)	289,513
Other financing sources, net	107,728	-	107,728	2,500	2,500	105,228
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	54,818	(1,245)	53,573	(341,168)	(341,168)	394,741
Balance beginning of year	3,306,100	124,272	3,430,372	3,304,315	3,304,315	126,057
Balance end of year	\$ 3,360,918	123,027	3,483,945	2,963,147	2,963,147	520,798

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

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

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

During the year ended June 30, 2013, expenditures in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a) / c)
2010	July 1, 2009	-	\$ 288,251	288,251	0.00%	\$ 2,574,815	11.20%
2011	July 1, 2009	-	280,360	280,360	0.00%	2,358,015	11.89%
2012	July 1, 2009	-	241,291	241,291	0.00%	2,620,482	9.21%
2013	July 1, 2012	-	265,538	265,538	0.00%	2,421,675	10.97%

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 454,086	128,518	582,604
Receivables:			
Property tax:			
Delinquent	-	757	757
Succeeding year	-	98,344	98,344
Due from other governments	111,352	-	111,352
TOTAL ASSETS	\$ 565,438	227,619	793,057
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	8,179	8,179
Deferred revenue:			
Succeeding year property tax	-	98,344	98,344
Total liabilities	-	106,523	106,523
Fund balances:			
Restricted for:			
School infrastructure	565,438	-	565,438
Physical plant and equipment	-	121,096	121,096
Total fund balances	565,438	121,096	686,534
TOTAL LIABILITIES AND FUND BALANCES	\$ 565,438	227,619	793,057

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 537,756	92,940	630,696
Other	2,194	49	2,243
TOTAL REVENUES	539,950	92,989	632,939
EXPENDITURES:			
Current:			
Instruction:			
Regular	169,856	2,880	172,736
Support services:			
Administration	-	8,179	8,179
Operation and maintainance of plant	16,432	-	16,432
Transportation	5,425	79,469	84,894
Capital outlay	-	13,515	13,515
TOTAL EXPENDITURES	191,713	104,043	295,756
Excess (Deficiency) of revenues over (under) expenditures	348,237	(11,054)	337,183
Other financing sources (uses):			
Transfer out	(236,101)	(20,208)	(256,309)
Proceeds from computer lease	107,728	-	107,728
Total other financing sources (uses)	(128,373)	(20,208)	(148,581)
Change in fund balances	219,864	(31,262)	188,602
Fund balances beginning of year	345,574	152,358	497,932
Fund balances end of year	\$ 565,438	121,096	686,534

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 886	1,059	4,483	(2,538)
Show choir	599	1,562	1,098	1,063
General athletics	4,088	2,112	5,277	923
Golf	(1,398)	-	1,328	(2,726)
Cheerleaders-FB	809	1,948	-	2,757
Boys basketball	(1,263)	11,929	9,815	851
Football	5,923	12,692	10,806	7,809
Baseball	5,200	6,385	5,682	5,903
Track	(2,555)	5,202	7,345	(4,698)
Boys soccer	-	2,615	2,187	428
Cross country	-	828	56	772
Wrestling	(855)	3,194	1,277	1,062
Girls basketball	605	1,411	2,012	4
Volleyball	(1,133)	5,933	10,906	(6,106)
Softball	5,235	6,927	5,546	6,616
Girls soccer	-	2,379	4,974	(2,595)
Yearbook	(6,021)	1,985	1,136	(5,172)
FCCLA	1,434	7,146	6,888	1,692
H.S. faculty	(97)	97	-	-
Drill team	56	4,459	4,020	495
National honor society	89	140	209	20
Class of 2013	451	1,006	1,461	(4)
Class of 2014	-	4,113	2,640	1,473
Class of 2015	142	17	22	137
H.S. student activities	639	1,275	2,212	(298)
Vocal	3,330	2,720	1,497	4,553
Musical	2,944	1,503	3,083	1,364
Cheerleaders-BB	9,989	7,052	11,694	5,347
Cheerleaders-wrestling	319	1,612	-	1,931
Trips	74	-	74	-
Stength & conditioning	-	12,880	9,033	3,847
Elementary activity	8,495	2,969	8,892	2,572
Student council	713	11,871	7,662	4,922
Concessions	(50)	6,083	4,826	1,207
Total	\$ 38,648	133,104	138,141	33,611

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS
 JUNE 30, 2013

	Private Purpose Trust				
	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 26,258	258,246	184,498	16,880	485,882
LIABILITIES	-	-	-	-	-
NET POSITION					
Restricted for scholarships	\$ 26,258	258,246	184,498	16,880	485,882

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY NET POSITION
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust				Total
	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	
ADDITIONS:					
Local sources:					
Interest income	\$ 1,290	1,373	7,020	1,878	11,561
DEDUCTIONS:					
Instruction:					
Other:					
Scholarships awarded	-	2,000	6,000	-	8,000
Change in net position	1,290	(627)	1,020	1,878	3,561
Net position beginning of year	24,968	258,873	183,478	15,002	482,321
Net position end of year	\$ 26,258	258,246	184,498	16,880	485,882

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,649,567	3,617,912	3,832,767	3,399,417	3,429,848	2,828,866	2,611,869	2,440,846	2,312,212	2,461,106
Tuition	427,428	340,478	256,222	130,588	146,243	141,541	100,379	203,872	84,692	83,747
Other	202,303	209,718	470,274	471,577	479,351	548,853	264,582	363,391	236,359	230,003
Intermediate sources	37,778	43,028	63,154	38,994	47,652	106,027	87,490	59,357	-	-
State sources	2,749,977	2,997,835	2,924,331	2,795,711	2,948,365	3,285,084	3,171,235	3,028,117	2,862,093	2,708,583
Federal sources	154,687	216,759	335,184	631,586	606,768	167,103	149,123	174,196	234,908	133,895
Total	\$ 7,221,740	7,425,730	7,881,932	7,467,873	7,658,227	7,077,474	6,384,678	6,269,779	5,730,264	5,617,334
Expenditures:										
Instruction:										
Regular	\$ 3,154,661	2,899,144	2,915,349	3,459,725	2,854,869	2,764,700	2,777,279	2,891,637	2,746,076	2,282,332
Special	432,410	611,927	726,176	591,934	563,240	579,189	639,589	613,855	864,153	781,836
Other	723,446	677,741	776,225	768,647	706,277	778,041	647,404	687,457	441,090	513,802
Support services:										
Student	73,220	56,015	39,188	29,952	36,337	45,401	46,592	45,617	124,686	140,717
Instructional	146,765	93,306	79,475	75,331	47,812	93,585	92,229	82,881	96,833	126,586
Administration	721,112	680,441	613,394	762,394	923,306	685,141	575,076	586,907	560,376	585,361
Operation and maintenance of plant	422,436	358,444	417,199	486,274	411,787	460,509	460,189	597,196	418,645	334,336
Transportation	341,028	215,958	254,165	356,289	266,248	325,759	355,980	261,447	194,346	266,829
Non-instructional programs:										
Community service operations		-	-	-	-	-	-	154	-	-
Capital outlay	13,515	270,003	427,584	1,589,003	5,378,281	1,482,292	424,711	545,686	128,925	219,353
Long-term debt:										
Principal	792,436	663,005	640,220	490,000	80,000	63,029	-	-	-	-
Interest and fiscal charges	221,879	234,267	251,290	269,623	358,471	2,548	-	-	-	-
Other expenditures:										
AEA flow-through	231,742	233,528	262,260	260,451	229,509	223,429	212,553	195,320	184,761	186,724
Total	\$ 7,274,650	6,993,779	7,402,525	9,139,623	11,856,137	7,503,623	6,231,602	6,508,157	5,759,891	5,437,876

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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 the A-H-S-T Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of A-H-S-T Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered A-H-S-T Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of A-H-S-T Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of A-H-S-T Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weakness and 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 described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 and I-C-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether A-H-S-T Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


A-H-S-T Community School District's Responses to Findings

A-H-S-T Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. A-H-S-T Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2014
Newton, Iowa

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - check preparation, mailing and recording.
- 4) Wire transfers - processing and approving.
- 5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.
- 7) School lunch program - journalizing, posting, reconciling, purchase order processing and check preparation.

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

Response - The District is continually evaluating controls and trying to segregate where possible.

Conclusion - Response accepted.

I-B-13 Purchase Orders - We noted during our audit that in the Student Activity Fund several purchase orders were dated after the invoice date. We also noted instances of transactions processed without purchase orders.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - On July 1, 2013, the District implemented an electronic purchase order system. In the new system, staff are required to put in a request that must be approved by the appropriate principal and then approved by the superintendent. The business manager then turns the request into a purchase order and the item is ordered.

Conclusion - Response accepted.

- I-C-13 Checks Written as Bearer Paper - We noted during our audit that the District is writing checks to the bank which are later cashed at that bank for startup money at District events.

Recommendation - Checks made out to the bank alone are bearer paper and in the event the check would be lost or stolen, anyone could cash the check. A better practice would be to make the checks payable to the custodian who is taking the check to the bank. For better internal controls, the check should be made to both the bank and the custodian of the check.

Response - The District now makes checks payable to the bank and the custodian of the check.

Conclusion - Response accepted.

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, exceeded the amounts budgeted in the non-instructional programs and other expenditures functional areas.

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 - The District will monitor expenditures and amend the budget when necessary.

Conclusion - Response accepted.

- II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-13 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.

District Board Policy 401.7 states that the travel reimbursement rate will be set by the District's Board of Directors. For the 2012-13 school year, the Board set the travel reimbursement rate at 51¢ per mile. However, we noted during our audit that a District employee was reimbursed at a rate of 55¢ per mile.

Recommendation - The District needs to reimburse employees at the rate per mile set by the District's Board of Directors. The Board can elect to adopt a new policy that specifically states the travel reimbursement rate. Policies need to be explained and disseminated to employees.

Response - The District will review its procedures to ensure employees are reimbursed at the rate stated in Board Policy 401.7.

Conclusion - Response accepted.

- II-D-13 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Keith Holtz, Board Member Owner of Holtz Service & Small Engine	Repairs and maintenance	\$ 958

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

- II-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 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-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Service and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified annual reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning Balance		\$	345,574
Revenues:			
Sales tax revenues	\$	537,756	
Other local revenues		2,194	
Proceeds from computer lease		107,728	
			<u>647,678</u>
			993,252
Expenditures/transfer out:			
Equipment	\$	191,713	
Transfer to other funds:			
Debt service fund		236,101	
			<u>427,814</u>
Ending Balance		\$	<u><u>565,438</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-13 Check Signatures - We noted during our audit, an instance of the Board Secretary's signature not present on a check. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - The Board secretary will review checks a second time before mailing to ensure all checks are signed.

Conclusion - Response accepted.

II-N-13 Financial Condition - As of June 30, 2013, the Special Revenue, Student Activity Fund had a deficit unassigned fund balance of \$24,137.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District should consider additional approval of bills from the Student Activity Fund. A workout plan for the deficit accounts should also be considered for the Student Activity Fund.

Response - On July 1, 2013, the District implemented a new purchase order system. The District will continue to monitor this fund and look for ways to help eliminate the deficit.

Conclusion - Response accepted.