

AMES COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor's Report			5-6
Management's Discussion and Analysis			7-16
Basic Financial Statements:		<u>Exhibit</u>	
<i>Government-wide Financial Statements:</i>			
Statement of Net Position	A		18
Statement of Activities	B		19
<i>Governmental Fund Financial Statements:</i>			
Balance Sheet	C		20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D		21
Statement of Revenues, Expenditures and Changes in Fund Balances	E		22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F		23
<i>Proprietary Fund Financial Statements:</i>			
Statement of Net Position	G		24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H		25
Statement of Cash Flows	I		26
<i>Fiduciary Fund Financial Statements:</i>			
Statement of Fiduciary Net Position	J		27
Notes to Financial Statements			28-38
Required Supplementary Information:			
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund			40
Notes to Required Supplementary Information - Budgetary Reporting			41
Schedule of Funding Progress for the Retiree Health Plan			42
<i>Component Unit Financial Statements:</i>			
Statement of Assets, Liabilities and Net Position - Cash Basis			43
Statement of Support and Revenues, Expenses and Changes in Net Position			44
Supplementary Information:		<u>Schedule</u>	
<i>Nonmajor Special Revenue Funds:</i>			
Combining Balance Sheet	1		46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2		47
<i>Capital Projects Accounts:</i>			
Combining Balance Sheet	3		48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4		49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5		50
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6		51
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7		52
Schedule of Expenditures of Federal Awards	8		53
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 <u>Government Auditing Standards</u>			54-55
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133			56-57
Schedule of Findings and Questioned Costs			58-61

Ames Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 election)		
Dan Woodin	President	2015
Luke Deardorff	Vice-President	2015
Mike Espeset	Board Member	2013
Teresa Simpson	Board Member	2015
Rodney Briggs	Board Member	2015
William Talbot	Board Member	2013
David Putz	Board Member	2013
(After September 2013 election)		
Luke Deardorff	President	2015
Teresa Simpson	Vice-President	2015
Mike Espeset	Board Member	2017
Dan Woodin	Board Member (Deceased September 2013)	2015
Jane Acker	Board Member (Appointed October 2013)	2015
Rodney Briggs	Board Member	2015
William Talbot	Board Member	2017
Tim Rasmussen	Board Member	2017
School Officials		
Dr. Tim Taylor	Superintendent	2014
Karen Shimp	District Secretary/Treasurer and Chief Financial Officer	2014
Ahlers & Cooney, P.C.	Attorney	2014

AMES COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Ames 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 Ames Community School District, Ames, Iowa, as of and for the year ended June 30, 2014, 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 Ames Community School District as of June 30, 2014, 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.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of Funding Progress for the Retiree Health Plan and the financial statements for the discretely presented component unit on pages 7 through 16 and 40 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 Ames 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, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 February 17, 2015 on our consideration of Ames 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 Ames Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Ames 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Fiscal 2014 General Fund expenditures exceeded revenues by \$2,536,080 resulting in a decrease in the fund balance from \$14,401,586 at June 30, 2013 to \$11,865,506 at June 30, 2014. Revenues were \$44,924,272 vs. \$43,942,622 in fiscal 2013, and expenditures were \$47,460,352 vs. \$45,494,756 in fiscal 2013.
- The increase in General Fund revenues occurred mainly in state sources received. The increase in expenditures occurred in the instruction 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 Ames 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 Ames 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 Ames Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to 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 and the financial statements for the discreetly presented component unit.

The Supplementary Information provides detailed information about the nonmajor governmental funds and the Capital Projects Accounts. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

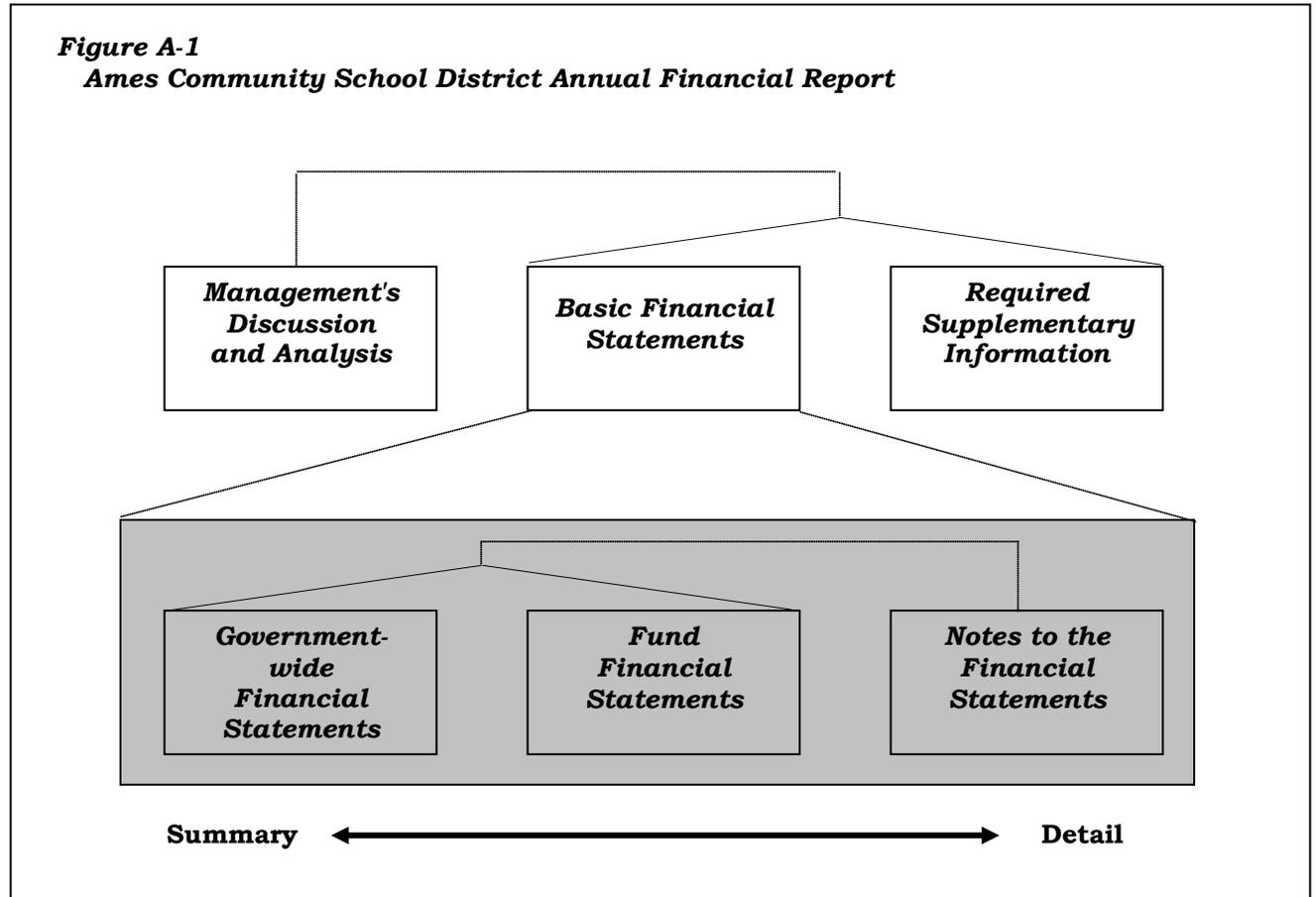


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, e.g., food services	Instances in which the District administers resources on behalf of someone else, such as agency funds
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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 is one way to measure the District's financial health or financial 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 three 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.
- *Component unit:* This includes the activities of the Ames Athletic Boosters Club. The District's Activity Fund receives significant financial benefits from the Booster Club although they are legally separate entities.

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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

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

- Agency Funds - These are funds through which the District administers and accounts for certain outside groups.

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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Figure A-3 Condensed Statement of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 115,132,080	105,953,959	458,871	392,137	115,590,951	106,346,096	8.69%
Capital assets	73,006,997	56,651,780	319,630	384,708	73,326,627	57,036,488	28.56%
Total assets	188,139,077	162,605,739	778,501	776,845	188,917,578	163,382,584	15.63%
Long-term liabilities	45,930,777	29,859,963	-	-	45,930,777	29,859,963	53.82%
Other liabilities	9,081,553	8,622,066	27,482	52,035	9,109,035	8,674,101	5.01%
Total liabilities	55,012,330	38,482,029	27,482	52,035	55,039,812	38,534,064	42.83%
Deferred inflows of resources	31,606,006	31,307,384	-	-	31,606,006	31,307,384	0.95%
Net position:							
Net investment in capital assets	67,096,136	56,562,110	319,630	384,708	67,415,766	56,946,818	18.38%
Restricted	18,893,901	17,707,364	-	-	18,893,901	17,707,364	6.70%
Unrestricted	15,530,704	18,546,852	431,389	340,102	15,962,093	18,886,954	-15.49%
Total net position	\$ 101,520,741	92,816,326	751,019	724,810	102,271,760	93,541,136	9.33%

The District's total net position increased by 9.33%, or \$8,730,624, 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), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$1,186,537, or 6.70% over the prior year. The increase was due primarily to the improvement recognized in the Capital Projects: Elementary Construction Fund balance resulting from the issuance of nearly \$25 million in general obligation bonds that have not yet been expended on various construction projects.

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 - decreased \$2,924,861, or 15.49%. This decrease is due to the decrease in unassigned fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Figure A-4						
	Changes in Net Position						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
June 30,		June 30,		June 30,		June 30,	
2014	2013	2014	2013	2014	2013	2013-14	
Revenues:							
Program revenues:							
Charges for service	\$ 4,477,585	4,285,005	787,398	768,322	5,264,983	5,053,327	4.19%
Operating grants, contributions and restricted interest	4,446,046	3,964,640	750,603	727,843	5,196,649	4,692,483	10.74%
Capital grants, contributions and restricted interest	68,244	23,700	-	-	68,244	23,700	187.95%
General revenues:							
Property tax	31,222,901	30,338,260	-	-	31,222,901	30,338,260	2.92%
Income surtax	2,660,790	2,125,379	-	-	2,660,790	2,125,379	25.19%
Statewide sales, services and use tax	3,646,794	4,707,759	-	-	3,646,794	4,707,759	-22.54%
Unrestricted state grants	16,009,126	15,730,907	-	-	16,009,126	15,730,907	1.77%
Unrestricted investment earnings	77,571	69,743	730	600	78,301	70,343	11.31%
Other	389,822	483,015	-	-	389,822	483,015	-19.29%
Gain on sale of real property	-	191,720	-	-	-	191,720	-100.00%
Total revenues	62,998,879	61,920,128	1,538,731	1,496,765	64,537,610	63,416,893	1.77%
Program expenses:							
Instruction	36,639,565	35,665,210	-	-	36,639,565	35,665,210	2.73%
Support services	13,085,791	11,273,697	56,229	77,302	13,142,020	11,350,999	15.78%
Non-instructional programs	6,038	5,202	1,475,852	1,457,178	1,481,890	1,462,380	1.33%
Other expenses	4,543,511	3,698,370	-	-	4,543,511	3,698,370	22.85%
Total expenses	54,274,905	50,642,479	1,532,081	1,534,480	55,806,986	52,176,959	6.96%
Excess(Deficiency) of revenues over(under) expenditures	8,723,974	11,277,649	6,650	(37,715)	8,730,624	11,239,934	-22.32%
Transfers	(19,559)	(63,230)	19,559	63,230	-	-	0.00%
Change in net position	8,704,415	11,214,419	26,209	25,515	8,730,624	11,239,934	-22.32%
Net position beginning of year	92,816,326	81,601,907	724,810	699,295	93,541,136	82,301,202	13.66%
Net position end of year	\$ 101,520,741	92,816,326	751,019	724,810	102,271,760	93,541,136	9.33%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 84.99% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 99.95% of the revenue from business type activities.

The District's total revenues were approximately \$64.54 million, of which approximately \$63.00 million was for governmental activities and approximately \$1.54 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.77% increase in revenues and a 6.96% increase in expenses. The increase in expenses primarily occurred in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$62,998,879 and expenses were \$54,274,905 for the year ended June 30, 2014.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Service		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 36,639,565	35,665,210	2.73%	29,509,028	29,134,837	1.28%
Support services	13,085,791	11,273,697	16.07%	12,803,656	11,054,876	15.82%
Non-instructional programs	6,038	5,202	16.07%	-	-	0.00%
Other expenses	4,543,511	3,698,370	22.85%	2,970,346	2,179,421	36.29%
Totals	<u>\$ 54,274,905</u>	<u>50,642,479</u>	<u>7.17%</u>	<u>45,283,030</u>	<u>42,369,134</u>	<u>6.88%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$4,477,585.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,514,290.
- The net cost of governmental activities was financed with \$33,883,691 in local tax, \$3,646,794 in statewide sales, services and use tax, \$16,009,126 in unrestricted state grants, \$77,571 in unrestricted investment earnings, \$389,822 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$1,538,731 and expenses were \$1,532,081. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$68,631,476, above last year's ending fund balances of \$59,577,870. The increase in the combined fund balances is primarily due to the \$38,419,139 of unexpended general obligation bond proceeds received in fiscal years 2013 and 2014.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local tax and state source revenues resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures resulting in a decrease in fund balance from \$14,401,586 to \$11,865,506.
- The Capital Projects Fund balance increased from \$36,529,140 to \$49,399,327 primarily resulting from unexpended bond proceeds received during the year which will be expended as work on the various infrastructure projects is completed.
- The Debt Service Fund balance decreased from \$2,884,996 to \$167,011. This was due to bond refunding and early repayment of debt.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$724,810 at June 30, 2013 to \$751,019 at June 30, 2014, representing a 3.62% increase.

BUDGETARY HIGHLIGHTS

The District's revenues were \$404,026 less than budgeted revenues, a variance of 0.62%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$73.33 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 28.56% over last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$2,445,548.

The original cost of the District's capital assets was \$103,726,824. Governmental funds account for \$102,576,654 with the remainder of \$1,150,170 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$19,491,601 at June 30, 2014, compared to \$3,803,942 reported at June 30, 2013. This increase resulted primarily from construction projects, including the construction and renovation of three elementary schools, which were not yet completed at year end.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 3,489,642	3,489,642	-	-	3,489,642	3,489,642	0.00%
Construction in progress	19,491,601	3,803,942	-	-	19,491,601	3,803,942	412.41%
Buildings	39,296,419	40,370,727	-	-	39,296,419	40,370,727	-2.66%
Land improvements	3,982,932	4,299,528	-	-	3,982,932	4,299,528	-7.36%
Machinery and equipment	6,746,403	4,687,941	319,630	384,708	7,066,033	5,072,649	39.30%
Total	\$ 73,006,997	56,651,780	319,630	384,708	73,326,627	57,036,488	28.56%

Long-Term Debt

At June 30, 2014, the District had \$45,930,777 in total long-term debt outstanding. This represents an increase of 53.82% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 3 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$44,330,000 at June 30, 2014.

The District had outstanding compensated absences payable from the General Fund of \$437,846 at June 30, 2014.

The District had total net OPEB liability of \$1,162,931 at June 30, 2014.

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
General obligation bonds	\$ 44,330,000	25,595,000	73.20%
Revenue bonds	-	2,484,022	-100.00%
Computer lease	-	203,654	-100.00%
Compensated absences	437,846	405,287	8.03%
Net OPEB liability	1,162,931	1,172,000	-0.77%
Total	\$ 45,930,777	29,859,963	53.82%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Increases in negotiated salary settlements with the Teachers Association and the Custodial/Maintenance Union, experiencing a loss of 77 students at the beginning of the 2014-2015 school year and potential limited funding increases provided by the Iowa Legislature could create significant financial obstacles for the District.

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 Karen Shimp, District Secretary/Treasurer and Chief Financial Officer, Ames Community School District, 415 Stanton Avenue, Ames, Iowa, 50014-7331.

BASIC FINANCIAL STATEMENTS

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Athletic Booster Club
Assets				
Cash and pooled investments	\$ 79,446,846	327,624	79,774,470	105,844
Receivables:				
Property tax:				
Delinquent	81,386	-	81,386	-
Succeeding year	31,606,006	-	31,606,006	-
Income surtax	2,102,425	-	2,102,425	-
Accounts	57,549	91,133	148,682	-
Due from other governments	1,781,309	7,558	1,788,867	-
Inventories	20,982	32,556	53,538	-
Prepaid items	35,577	-	35,577	-
Capital assets, net of accumulated depreciation	73,006,997	319,630	73,326,627	-
Total assets	188,139,077	778,501	188,917,578	105,844
Liabilities				
Accounts payable	2,202,987	18,812	2,221,799	-
Salaries and benefits payable	5,488,432	1,560	5,489,992	-
Incurred but not reported claims	754,227	-	754,227	-
Advances for student fees	156,637	-	156,637	-
Accrued interest payable	479,270	-	479,270	-
Unearned revenue	-	7,110	7,110	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	6,090,000	-	6,090,000	-
Compensated absences	437,846	-	437,846	-
Portion due after one year:				
General obligation bonds	38,240,000	-	38,240,000	-
Net OPEB liability	1,162,931	-	1,162,931	-
Total liabilities	55,012,330	27,482	55,039,812	-
Deferred Inflows of Resources				
Unavailable property tax revenue	31,606,006	-	31,606,006	-
Net Position				
Net investment in capital assets	67,096,136	319,630	67,415,766	-
Restricted for:				
Categorical funding	735,133	-	735,133	-
Management levy purposes	6,941,584	-	6,941,584	-
Student activities	258,048	-	258,048	-
School infrastructure	4,902,235	-	4,902,235	-
Physical plant and equipment	6,056,901	-	6,056,901	-
Unrestricted	15,530,704	431,389	15,962,093	105,844
Total net position	\$ 101,520,741	751,019	102,271,760	105,844

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Athletic Booster Club
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Total	
					Governmental Activities	Business Type Activities		
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 23,323,997	2,202,535	867,961	-	(20,253,501)	-	(20,253,501)	-
Special	7,134,555	1,135,148	875,510	-	(5,123,897)	-	(5,123,897)	-
Other	6,181,013	952,250	1,097,133	-	(4,131,630)	-	(4,131,630)	-
	<u>36,639,565</u>	<u>4,289,933</u>	<u>2,840,604</u>	<u>-</u>	<u>(29,509,028)</u>	<u>-</u>	<u>(29,509,028)</u>	<u>-</u>
Support services:								
Student	1,346,042	-	-	-	(1,346,042)	-	(1,346,042)	-
Instructional staff	979,702	-	-	-	(979,702)	-	(979,702)	-
Administration	4,882,137	-	-	-	(4,882,137)	-	(4,882,137)	-
Operation and maintenance of plant	4,177,692	-	-	68,244	(4,109,448)	-	(4,109,448)	-
Transportation	1,700,218	187,652	26,239	-	(1,486,327)	-	(1,486,327)	-
	<u>13,085,791</u>	<u>187,652</u>	<u>26,239</u>	<u>68,244</u>	<u>(12,803,656)</u>	<u>-</u>	<u>(12,803,656)</u>	<u>-</u>
Non-instructional programs:								
Community service operations	6,038	-	6,038	-	-	-	-	-
Long-term debt interest	1,224,134	-	-	-	(1,224,134)	-	(1,224,134)	-
Other expenses:								
AEA flowthrough	1,573,165	-	1,573,165	-	-	-	-	-
Depreciation(unallocated)*	1,746,212	-	-	-	(1,746,212)	-	(1,746,212)	-
	<u>3,319,377</u>	<u>-</u>	<u>1,573,165</u>	<u>-</u>	<u>(1,746,212)</u>	<u>-</u>	<u>(1,746,212)</u>	<u>-</u>
Total governmental activities	54,274,905	4,477,585	4,446,046	68,244	(45,283,030)	-	(45,283,030)	-
Business type activities:								
Support services:								
Administration	45,229	-	-	-	-	(45,229)	(45,229)	-
Operation and maintenance of plant	11,000	-	-	-	-	(11,000)	(11,000)	-
	<u>56,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,229)</u>	<u>(56,229)</u>	<u>-</u>
Non-instructional programs:								
Food service operations	1,475,852	787,398	750,603	-	-	62,149	62,149	-
Total business type activities	1,532,081	787,398	750,603	-	-	5,920	5,920	-
Total Primary Government	\$ 55,806,986	5,264,983	5,196,649	68,244	(45,283,030)	5,920	(45,277,110)	-
Total Component Unit	\$ 383,198	-	153,076	225,346	-	-	-	(4,776)
General Revenues and Transfers:								
General revenues:								
Property tax levied for:								
General purposes				\$ 20,579,379	-	20,579,379	-	-
Debt service				7,009,184	-	7,009,184	-	-
Capital outlay				3,634,338	-	3,634,338	-	-
Income surtax				2,660,790	-	2,660,790	-	-
Statewide sales, services and use tax				3,646,794	-	3,646,794	-	-
Unrestricted state grants				16,009,126	-	16,009,126	-	-
Unrestricted investment earnings				77,571	730	78,301	372	-
Other				389,822	-	389,822	-	-
Transfers				(19,559)	19,559	-	-	-
Total general revenues and transfers				<u>53,987,445</u>	<u>20,289</u>	<u>54,007,734</u>	<u>372</u>	<u>-</u>
Change in net position				8,704,415	26,209	8,730,624	(4,404)	-
Net position beginning of year				92,816,326	724,810	93,541,136	110,248	-
Net position end of year				<u>\$ 101,520,741</u>	<u>751,019</u>	<u>102,271,760</u>	<u>105,844</u>	<u>-</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 16,845,772	50,016,343	148,740	7,219,453	74,230,308
Receivables:					
Property tax					
Delinquent	46,224	9,472	18,271	7,419	81,386
Succeeding year	17,983,435	3,680,439	8,925,612	1,016,520	31,606,006
Income surtax	2,102,425	-	-	-	2,102,425
Accounts	57,077	-	-	472	57,549
Due from other governments	1,187,278	594,031	-	-	1,781,309
Inventories	20,982	-	-	-	20,982
Prepaid items	14,525	21,052	-	-	35,577
Total assets	\$ 38,257,718	54,321,337	9,092,623	8,243,864	109,915,542
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 661,283	1,241,571	-	27,712	1,930,566
Salaries and benefits payable	5,488,432	-	-	-	5,488,432
Advances for student fees	156,637	-	-	-	156,637
Total liabilities	6,306,352	1,241,571	-	27,712	7,575,635
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	17,983,435	3,680,439	8,925,612	1,016,520	31,606,006
Income surtax	2,102,425	-	-	-	2,102,425
Total deferred inflows of resources	20,085,860	3,680,439	8,925,612	1,016,520	33,708,431
Fund balances:					
Nonspendable	35,507	21,052	-	-	56,559
Restricted for:					
Categorical funding	735,133	-	-	-	735,133
Debt service	-	-	167,011	-	167,011
Management levy purposes	-	-	-	6,941,584	6,941,584
Student activities	-	-	-	258,048	258,048
School infrastructure	-	43,321,374	-	-	43,321,374
Physical plant and equipment	-	6,056,901	-	-	6,056,901
Unassigned	11,094,866	-	-	-	11,094,866
Total fund balances	11,865,506	49,399,327	167,011	7,199,632	68,631,476
Total liabilities, deferred inflows of resources and fund balances	\$ 38,257,718	54,321,337	9,092,623	8,243,864	109,915,542

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	68,631,476
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		73,006,997
Accounts receivable income surtax, are not yet available to finance current year expenditures of the current fiscal period and, therefore, are recognized as deferred inflows of resources in the governmental funds.		2,102,425
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		4,189,890
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(479,270)
Long-term liabilities, including general obligation bonds payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in governmental funds.		<u>(45,930,777)</u>
Net position of governmental activities(page 18)	\$	<u>101,520,741</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 20,319,086	3,634,338	7,009,184	2,847,296	33,809,904
Tuition	2,981,980	-	-	-	2,981,980
Other	1,174,169	189,936	-	670,098	2,034,203
State sources	18,598,031	3,647,649	1,649	670	22,247,999
Federal sources	1,851,006	-	-	-	1,851,006
Total revenues	44,924,272	7,471,923	7,010,833	3,518,064	62,925,092
Expenditures:					
Current:					
Instruction:					
Regular	21,731,777	-	-	905,517	22,637,294
Special	6,860,466	-	-	-	6,860,466
Other	5,341,064	-	-	634,676	5,975,740
	33,933,307	-	-	1,540,193	35,473,500
Support services:					
Student	1,298,581	-	-	-	1,298,581
Instructional staff	777,641	-	-	-	777,641
Administration	4,997,940	116,080	-	22,084	5,136,104
Operation and maintenance of plant	3,305,321	348,240	-	460,486	4,114,047
Transportation	1,568,359	-	-	57,817	1,626,176
	11,947,842	464,320	-	540,387	12,952,549
Non-instructional programs:					
Community service operations	6,038	-	-	-	6,038
Capital outlay	-	19,534,673	-	-	19,534,673
Long-term debt:					
Principal	-	-	8,907,676	-	8,907,676
Interest and fiscal charges	-	-	821,142	-	821,142
	-	-	9,728,818	-	9,728,818
Other expenditures:					
AEA flowthrough	1,573,165	-	-	-	1,573,165
Total expenditures	47,460,352	19,998,993	9,728,818	2,080,580	79,268,743
Excess(Deficiency)of revenues over(under) expenditures	(2,536,080)	(12,527,070)	(2,717,985)	1,437,484	(16,343,651)
Other financing sources(uses):					
General obligation bond issuance	-	24,955,000	-	-	24,955,000
Premium on general obligation bond issuance	-	638,440	-	-	638,440
Discount on general obligation bond issuance	-	(196,183)	-	-	(196,183)
Total other financing sources(uses)	-	25,397,257	-	-	25,397,257
Change in fund balances	(2,536,080)	12,870,187	(2,717,985)	1,437,484	9,053,606
Fund balances beginning of year	14,401,586	36,529,140	2,884,996	5,762,148	59,577,870
Fund balances end of year	\$ 11,865,506	49,399,327	167,011	7,199,632	68,631,476

SEE NOTES TO FINANCIAL STATEMENTS.

AMES 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, 2014

Change in fund balances - total governmental funds(page 22) \$ 9,053,606

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

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

Expenditures for capital assets	\$ 18,716,128	
Depreciation expense	(2,360,911)	16,355,217

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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 issues exceeded repayments, as follows:

Issued	\$ (24,955,000)	
Repaid	8,907,676	(16,047,324)

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. (402,992)

Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 73,787

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

Compensated Absences	\$ (32,559)	
Other postemployment benefits	9,069	(23,490)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (304,389)

Change in net position of governmental activities(page 19) \$ 8,704,415

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	Business Type	
	Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	School Nutrition	
Assets		
Current assets:		
Cash and pooled investments	\$ 327,624	5,216,538
Accounts receivable	91,133	-
Due from other governments	7,558	-
Inventories	32,556	-
Total current assets	458,871	5,216,538
Noncurrent assets:		
Capital assets, net of accumulated depreciation	319,630	-
Total assets	778,501	5,216,538
Liabilities		
Current liabilities:		
Accounts payable	18,812	272,421
Salaries and benefits payable	1,560	-
Incurred but not reported claims	-	754,227
Unearned revenues	7,110	-
Total liabilities	27,482	1,026,648
Net Position		
Net investment in capital assets	319,630	-
Unrestricted	431,389	4,189,890
Total net position	\$ 751,019	4,189,890

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	School Nutrition	
Operating revenues:		
Local sources:		
Charges for service	\$ 787,398	5,890,111
Operating expenses:		
Support services:		
Administration:		
Services	1,293	-
Other	43,936	-
Operation and maintenance of plant:		
Services	11,000	-
	<u>56,229</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	11,487	-
Benefits	3,432	-
Services	690,600	-
Supplies	685,696	-
Depreciation	84,637	-
Other enterprise operations:		
Benefits	-	6,185,302
Supplies	-	9,198
	<u>1,475,852</u>	<u>6,194,500</u>
Total operating expenses	<u>1,532,081</u>	<u>6,194,500</u>
Operating loss	<u>(744,683)</u>	<u>(304,389)</u>
Non-operating revenues:		
State sources	11,660	-
Federal sources	738,943	-
Interest income	730	-
Total non-operating revenues	<u>751,333</u>	<u>-</u>
Change in net position before capital contributions	6,650	(304,389)
Capital contributions	<u>19,559</u>	<u>-</u>
Change in net position	26,209	(304,389)
Net position beginning of year	<u>724,810</u>	<u>4,494,279</u>
Net position end of year	<u>\$ 751,019</u>	<u>4,189,890</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	School Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 740,484	-
Cash received from miscellaneous operating activities	-	5,890,257
Cash payments to employees for services	(14,259)	-
Cash payments to suppliers for goods or services	(1,342,656)	(6,162,900)
Net cash used in operating activities	<u>(616,431)</u>	<u>(272,643)</u>
Cash flows from non-capital financing activities:		
State grants received	11,660	-
Federal grants received	718,277	-
Net cash provided by non-capital financing activities	<u>729,937</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	730	-
Net increase(decrease) in cash and cash equivalents	114,236	(272,643)
Cash and cash equivalents at beginning of year	213,388	5,489,181
Cash and cash equivalents at end of year	<u>\$ 327,624</u>	<u>5,216,538</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (744,683)	(304,389)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	94,131	-
Depreciation	84,637	-
Increase in inventories	(10,699)	-
Decrease(Increase) in accounts receivable	(15,264)	146
Increase in accounts payable	6,437	183,457
Increase in salaries and benefits payable	660	-
Decrease in incurred but not reported claims	-	(151,857)
Decrease in unearned revenue	(31,650)	-
Net cash used in operating activities	<u>\$ (616,431)</u>	<u>(272,643)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$94,131 of federal commodities.

During the year ended June 30, 2014, the School Nutrition Fund received contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund of \$19,559.

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 9,663
Due from other groups	22,850
Total assets	<u>\$ 32,513</u>
Liabilities	
Excess of warrants issued over bank balance	\$ 22,850
Due to other groups	9,663
Total liabilities	<u>\$ 32,513</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Ames 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. The geographic area served primarily includes the City of Ames, Iowa. 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, Ames 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 Ames Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Discretely Presented Component Unit - The Ames Athletic Booster Club is a legally separate not-for-profit foundation. The Booster Club was established for the purpose of giving financial assistance to the Ames Community School District's Student Activity Fund.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does 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 Story County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable 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. Enabling legislation did not result in any restricted net position.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities and the collection and use of the statewide sales and services tax.

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund, Health Insurance Fund. The Nutrition Fund is used to account for the food service operations of the District. The Health Insurance Fund is used to account for the self-funded health insurance 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 Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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.

Prepaid Items - The District prepaid items from the General Fund and the Debt Service Fund.

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 repair 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	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangible assets	125,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangible assets	5-12 years
Machinery and equipment	5-12 years

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

Advances for Student Fees - Registration fees that have been received by the District, but will be applied to the succeeding fiscal year.

Deferred Inflows of Resources - 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 inflows of resources 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 inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in 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 and income surtax receivable that will not be recognized as revenue until the year in which it is collected.

Unearned Revenue - Unearned revenues are monies collected for student fees and 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 balance sheet in the Enterprise, School Nutrition Fund. The student fees are fees for the next year. The student fee balances are reflected on the balance sheet in the General Fund and Special Revenue Fund, Student Activity Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be intact or are not expected to be converted to cash.

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.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$23,432,660 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard and Poor's Financial Services.

Governmental Accounting Standards Board Statement Number 3 requires the categorization of District investments to give an indication of the level of risk assumed by the District at year end. The investment in Government Bonds held by the District is stated at fair value and is not subject to the risk categorization previously mentioned. At June 30, 2014, the District had investments in government bonds in the amount of \$7,005,502 which is broken out as follows:

Description	Maturity Date	Original Par	Market Price	Market Value
Federal Home Loan Bank	11/18/2014	\$ 5,000,000	100.0114	\$ 5,000,570
Freddie Mac	12/29/2014	2,000,000	100.2466	2,004,932
		<u>\$ 7,000,000</u>		<u>\$ 7,005,502</u>

At June 30, 2014, the District had investments in the Education Liquidity Fund which are valued at an amortized cost of \$14,963,420 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Education Liquidity Fund are registered and not subject to rating.

Note 3. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 25,595,000	24,955,000	6,220,000	44,330,000	6,090,000
Revenue Bonds	2,484,022	-	2,484,022	-	-
Computer Lease	203,654	-	203,654	-	-
Compensated Absences	405,287	437,846	405,287	437,846	437,846
Net OPEB Liability	1,172,000	-	9,069	1,162,931	-
Total	<u>\$ 29,859,963</u>	<u>25,392,846</u>	<u>9,322,032</u>	<u>45,930,777</u>	<u>6,527,846</u>

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 2, 2012			Bond issue of June 4, 2013			Bond issue of November 19, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	2.000%	\$ 870,000	63,500	4.00%	\$ 620,000	686,890	3.00%	\$ 4,600,000	722,650
2016	2.000	100,000	46,100	4.00	645,000	550,663	3.00	5,375,000	333,294
2017	2.000	100,000	44,100	4.00	670,000	525,862	3.00	230,000	172,044
2018	2.000	105,000	42,100	4.00	695,000	500,063	3.00	235,000	165,144
2019	2.000	110,000	40,000	4.00	725,000	473,262	3.00	240,000	158,093
2020-2024	2.000-2.250	585,000	166,100	4.00-3.00	4,060,000	1,933,463	3.00	1,325,000	677,369
2025-2029	2.250-2.375	635,000	100,856	3.00	4,720,000	1,258,912	3.00-4.00	1,545,000	459,881
2030-2033	2.625	420,000	22,050	3.00-3.25	4,315,000	521,125	4.00	1,450,000	148,000
Total		<u>\$ 2,925,000</u>	<u>524,806</u>		<u>\$ 16,450,000</u>	<u>6,450,240</u>		<u>\$ 15,000,000</u>	<u>2,836,475</u>

Year Ending June 30,	Bond issue of January 2, 2014			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	2.000%	\$ -	394,979	6,090,000	1,868,019	7,958,019
2016	2.000	410,000	279,356	6,530,000	1,209,413	7,739,413
2017	2.000	460,000	271,157	1,460,000	1,013,163	2,473,163
2018	2.000	465,000	261,956	1,500,000	969,263	2,469,263
2019	2.000	470,000	252,656	1,545,000	924,011	2,469,011
2020-2024	2.000-2.500	2,510,000	1,115,356	8,480,000	3,892,288	12,372,288
2025-2029	2.750-3.375	2,855,000	780,825	9,755,000	2,600,474	12,355,474
2030-2033	3.500-3.750	2,785,000	268,250	8,970,000	959,425	9,929,425
		<u>\$ 9,955,000</u>	<u>3,624,535</u>	<u>44,330,000</u>	<u>13,436,056</u>	<u>57,766,056</u>

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,489,642	-	-	3,489,642
Construction in progress	3,803,942	15,984,547	296,888	19,491,601
Total capital assets not being depreciated	<u>7,293,584</u>	<u>15,984,547</u>	<u>296,888</u>	<u>22,981,243</u>
Capital assets being depreciated:				
Buildings	60,628,170	31,342	-	60,659,512
Land improvements	8,256,370	48,334	-	8,304,704
Machinery and equipment	7,717,450	2,948,793	35,048	10,631,195
Total capital assets being depreciated	<u>76,601,990</u>	<u>3,028,469</u>	<u>35,048</u>	<u>79,595,411</u>
Less accumulated depreciation for:				
Buildings	20,257,443	1,105,650	-	21,363,093
Land improvements	3,956,842	364,930	-	4,321,772
Machinery and equipment	3,029,509	890,331	35,048	3,884,792
Total accumulated depreciation	<u>27,243,794</u>	<u>2,360,911</u>	<u>35,048</u>	<u>29,569,657</u>
Total capital assets being depreciated, net	<u>49,358,196</u>	<u>667,558</u>	<u>-</u>	<u>50,025,754</u>
Governmental activities capital assets, net	<u>\$ 56,651,780</u>	<u>16,652,105</u>	<u>296,888</u>	<u>73,006,997</u>
Business type activities:				
Machinery and equipment	\$ 1,130,611	19,559	-	1,150,170
Less accumulated depreciation	745,903	84,637	-	830,540
Business type activities capital assets, net	<u>\$ 384,708</u>	<u>(65,078)</u>	<u>-</u>	<u>319,630</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 36,331
Support services:	
Instructional staff	452,446
Operation and maintenance of plant	48,027
Transportation	77,895
	<hr/>
	614,699
Unallocated depreciation	<hr/> 1,746,212 <hr/>
Total governmental activities depreciation expense	<hr/> \$ 2,360,911 <hr/>
Business type activities:	
Food service operations	<hr/> \$ 84,637 <hr/>

Note 5. 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$2,586,255, \$2,480,614 and \$2,309,963 respectively, equal to the required contributions for each year.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 535 active and 71 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with First Administrators. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability. The District also offers a one-time stipend to eligible retirees paid to an employer sponsored 403b and those benefits are included in the actuarial valuation as an explicit 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 that, if paid on an ongoing basis, is projected to cover normal costs 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 877,000
Interest on net OPEB obligation	52,740
Adjustment to annual required contribution	(44,809)
Annual OPEB cost	<u>884,931</u>
Contributions made	(894,000)
Decrease in net OPEB obligation	<u>(9,069)</u>
Net OPEB obligation beginning of year	<u>1,172,000</u>
Net OPEB obligation end of year	<u><u>\$ 1,162,931</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2014.

For the year ended June 30, 2014, the District contributed \$894,000 to the medical plan. Plan members eligible for benefits contributed \$725,000, or 44.78% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 740,851	100.56%	\$ 993,851
2013	884,149	79.85	1,172,000
2014	884,931	101.02	1,162,931

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$8,422,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,422,000. The covered payroll (annual payroll of active employees covered by the plan) was \$25,571,205, and the ratio of the UAAL to covered payroll was 32.94%. As of June 30, 2014, 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. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, 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 projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation as of June 30, 2012 and applying termination factors used in the IPERS Actuarial Valuation as of June 30, 2012.

Projected claim costs of the medical plan for retirees less than age 65 are \$748 per month. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Risk Management

The District has a self-funded health and dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$75,000 in insured claims for any one covered individual. Settled aggregate stop-loss claims have not exceeded the commercial coverage in any of the past two years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$4,515,667 at April 30, 2014, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$754,227 reported in the plan at April 30, 2014, is based on the requirements of GASB Statement Number 10, is included as a liability on the Statement of Net Position.

In addition, the District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

Note 8. 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 \$1,573,165 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Construction Commitment

The District has entered into contracts for a variety of school infrastructure projects including stadium expansion project and remodel/addition projects at Miller, Meeker and Mitchell Elementary buildings. As of June 30, 2014, costs of \$19,491,601 had been incurred against the contracts. The balance remaining on these contracts at June 30, 2014 will be paid as work on the project progresses and will be capitalized upon completion.

Note 10. Commercial Lease

The District entered into a commercial lease of a property to be used by the District's transportation services. The lease covered a period of two years ending June 30, 2014 and may be extended for two additional one year periods with mutual agreement of both parties. The base rent was \$60,000 per year payable in \$5,000 monthly installments.

Note 11. Operating Lease

During the year ended June 30, 2013, the District entered into an operating lease with IKON for the use of 28 copiers. Terms of the lease include a minimum 36 month period and a minimum monthly payment of \$5,227.25.

Note 12. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English Proficient	\$ 2,207
Home School Assistance Program	22,385
Beginning Teacher Mentoring and Induction Program	4,134
Teacher Salary Supplement	221,998
Market Factor	30,437
At Risk 4-year-olds	130,412
Successful Progression for Early Readers	33,579
Professional Development for Model Core Curriculum	184,990
Professional Development	76,730
Market Factor Incentives	27,850
Teacher Leadership Grants	411
Total	<u>\$ 735,133</u>

Note 13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions – an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 38,826,087	788,128	39,614,215	44,021,431	44,021,431	(4,407,216)
State sources	22,247,999	11,660	22,259,659	17,896,418	17,896,418	4,363,241
Federal sources	1,851,006	738,943	2,589,949	2,950,000	2,950,000	(360,051)
Total revenues	62,925,092	1,538,731	64,463,823	64,867,849	64,867,849	(404,026)
Expenditures/Expenses:						
Instruction	35,473,500	-	35,473,500	38,400,000	38,400,000	2,926,500
Support services	12,952,549	56,229	13,008,778	13,538,548	13,538,548	529,770
Non-instructional programs	6,038	1,475,852	1,481,890	1,600,000	1,600,000	118,110
Other expenditures	30,836,656	-	30,836,656	34,384,118	34,384,118	3,547,462
Total expenditures	79,268,743	1,532,081	80,800,824	87,922,666	87,922,666	7,121,842
Excess(Deficiency) of revenues over(under) expenditures/expenses	(16,343,651)	6,650	(16,337,001)	(23,054,817)	(23,054,817)	6,717,816
Other financing sources, net	25,397,257	19,559	25,416,816	10,000,000	10,000,000	15,416,816
Excess(Deficiency)of revenues and other financing sources over(under) expenditures/expenses	9,053,606	26,209	9,079,815	(13,054,817)	(13,054,817)	22,134,632
Balances beginning of year	59,577,870	724,810	60,302,680	33,260,341	33,260,341	(27,042,339)
Balances end of year	\$ 68,631,476	751,019	69,382,495	20,205,524	20,205,524	(4,907,707)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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. 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.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 10,919,000	10,919,000	0.00%	\$ 27,365,886	39.90%
2010	July 1, 2008	-	10,919,000	10,919,000	0.00	29,361,984	37.19
2011	July 1, 2010	-	7,080,000	7,080,000	0.00	14,234,205	49.74
2012	July 1, 2010	-	7,080,000	7,080,000	0.00	20,779,923	34.07
2013	July 1, 2012	-	8,422,000	8,422,000	0.00	25,728,827	32.73
2014	July 1, 2012	-	8,422,000	8,422,000	0.00	25,571,205	32.94

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS
 COMPONENT UNIT
 JUNE 30, 2014

	Ames Athletic Boosters Club
Assets	
Cash and cash equivalents	\$ 105,844
Liabilities	
	\$ -
Net Position	
Unrestricted	\$ 105,844

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET POSITION - CASH BASIS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2014

	Ames Athletic Booster Club
Support and Revenue:	
Interest	\$ 372
Business membership/advertising income	35,200
Camp fee	27,031
Clothing sales	11,786
Club fees	14,155
Donations	6,107
Membership dues	35,240
Special events	24,550
Team banquet	5,114
Team fees/donations	219,239
Total support and revenue	378,794
Expenses:	
Awards, letters. Certificates	3,850
Business membership/ advertising	833
Camp	24,872
Clothing sales	6,021
Club	12,820
Hall of Fame/Wall of Fame	951
Insurance	300
Legal and professional fees	410
Misc expenses	48
Office, newsletter, misc.	605
Recognition events	368
Return deposit item	503
Special events	7,939
Subsidies	61,273
Team banquet	13,787
Team	245,799
Treasurer's assist, web	2,819
Total expenses	383,198
Change in net position	(4,404)
Net position beginning of year	110,248
Net position end of year	\$ 105,844

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 6,943,704	275,749	7,219,453
Receivables:			
Property tax:			
Delinquent	7,419	-	7,419
Succeeding year	1,016,520	-	1,016,520
Accounts	-	472	472
Total assets	\$ 7,967,643	276,221	8,243,864
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 9,539	18,173	27,712
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	1,016,520	-	1,016,520
Fund balances:			
Restricted for:			
Management levy purposes	6,941,584	-	6,941,584
Student activities	-	258,048	258,048
Total fund balances	6,941,584	258,048	7,199,632
Total liabilities, deferred inflows of resources and fund balances	\$ 7,967,643	276,221	8,243,864

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	2,847,296	-	2,847,296
Other	\$ 31,002	639,096	670,098
State sources	670	-	670
Total revenues	<u>2,878,968</u>	<u>639,096</u>	<u>3,518,064</u>
Expenditures:			
Current:			
Instruction:			
Regular	905,517	-	905,517
Other	-	634,676	634,676
Support services:			
Administration	22,084	-	22,084
Operation and maintenance of plant	460,486	-	460,486
Transportation	-	57,817	57,817
Total expenditures	<u>1,388,087</u>	<u>692,493</u>	<u>2,080,580</u>
Change in fund balances	1,490,881	(53,397)	1,437,484
Fund balances beginning or year	<u>5,450,703</u>	<u>311,445</u>	<u>5,762,148</u>
Fund balances end of year	<u>\$ 6,941,584</u>	<u>258,048</u>	<u>7,199,632</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2014

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Elementary Construction	Total
Assets				
Cash and pooled investments	\$ 4,329,177	6,135,029	39,552,137	50,016,343
Receivables:				
Property tax:				
Delinquent	-	9,472	-	9,472
Succeeding year	-	3,680,439	-	3,680,439
Due from other governments	581,660	12,371	-	594,031
Prepaid expenses	-	21,052	-	21,052
Total assets	\$ 4,910,837	9,858,363	39,552,137	54,321,337
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 8,602	99,971	1,132,998	1,241,571
Deferred inflows of resources:				
Unavailable resources:				
Succeeding year property tax	-	3,680,439	-	3,680,439
Fund balances:				
Nonspendable	-	21,052	-	21,052
Restricted for:				
School infrastructure	4,902,235	-	38,419,139	43,321,374
Physical plant and equipment	-	6,056,901	-	6,056,901
Total fund balances	4,902,235	6,077,953	38,419,139	49,399,327
Total liabilities, deferred inflows of resources and fund balances	\$ 4,910,837	9,858,363	39,552,137	54,321,337

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Elementary Construction	
Revenues:				
Local sources:				
Local tax	\$ -	3,634,338	-	3,634,338
Other	-	155,718	34,218	189,936
State sources	3,646,794	855	-	3,647,649
Total revenues	3,646,794	3,790,911	34,218	7,471,923
Expenditures:				
Current:				
Support services:				
Administration	-	248	115,832	116,080
Operation and maintenance of plant	-	348,240		348,240
Capital outlay	1,647,220	3,001,597	14,885,856	19,534,673
Total expenditures	1,647,220	3,350,085	15,001,688	19,998,993
Excess(Deficiency) of revenues over(under) expenditures	1,999,574	440,826	(14,967,470)	(12,527,070)
Other financing sources(uses)				
General obligation bond issuance	-	-	24,955,000	24,955,000
Premium on general obligation bond issuance	-	-	638,440	638,440
Discount on general obligation bond issuance	-	-	(196,183)	(196,183)
Total other financing sources(uses)	-	-	25,397,257	25,397,257
Change in fund balances	1,999,574	440,826	10,429,787	12,870,187
Fund balances beginning of year	2,902,661	5,637,127	27,989,352	36,529,140
Fund balances end of year	\$ 4,902,235	6,077,953	38,419,139	49,399,327

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Edwards	\$ 6	2	-	8
Fellows	864	2	-	866
Meeker	2,174	4	146	2,032
Mitchell	673	3	-	676
Northwood	2,571	6	-	2,577
Sawyer	3,281	7	-	3,288
Middle School	182,202	77,823	118,347	141,678
High School	119,674	561,249	574,000	106,923
Total	<u>\$ 311,445</u>	<u>639,096</u>	<u>692,493</u>	<u>258,048</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>AMES EDUCATION FOUNDATION</u>				
Assets				
Due from other groups	\$ 1,438	11,379	12,808	9
Liabilities				
Excess of warrants issued over bank balance	\$ 1,438	11,379	12,808	9
<u>VOCATIONAL CONSORTIUM</u>				
Assets				
Due from other groups	\$ 22,908	363,245	363,312	22,841
Liabilities				
Excess of warrants issued over bank balance	\$ 22,908	363,245	363,312	22,841
<u>HS/MS/ELEMENTARY AGENCY</u>				
Assets				
Cash and pooled investments	\$ 14,444	1,722	6,503	9,663
Liabilities				
Due to other groups	\$ 14,444	1,722	6,503	9,663
<u>TOTALS - ALL AGENCY FUNDS</u>				
Assets				
Cash and pooled investments	\$ 14,444	1,722	6,503	9,663
Due from other groups	24,346	374,624	376,120	22,850
	\$ 38,790	376,346	382,623	32,513
Liabilities				
Excess of warrants issued over bank balance	\$ 24,346	374,624	376,120	22,850
Due to other groups	14,444	1,722	6,503	9,663
	\$ 38,790	376,346	382,623	32,513

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 33,809,904	37,147,319	36,527,289	35,872,989	32,415,975	31,983,458	30,691,122	31,123,168	29,817,748	29,875,333
Tuition	2,981,980	2,979,748	2,566,422	2,653,778	2,967,606	3,082,361	3,238,431	3,432,356	2,881,124	2,674,002
Other	2,034,203	1,905,145	1,901,014	2,463,605	2,435,051	2,696,854	2,558,348	2,720,224	2,648,452	1,830,736
Intermediate sources	-	-	-	-	-	-	-	38,904	-	-
State sources	22,247,999	17,971,510	18,672,053	17,135,046	14,702,239	17,541,260	16,307,190	14,731,416	14,017,998	14,134,624
Federal sources	1,851,006	1,700,607	2,804,019	2,845,923	4,651,164	2,044,097	1,393,518	1,101,449	1,182,298	1,455,320
Total	\$ 62,925,092	61,704,329	62,470,797	60,971,341	57,172,035	57,348,030	54,188,609	53,147,517	50,547,620	49,970,015
Expenditures:										
Instruction:										
Regular	\$ 22,637,294	21,337,066	20,927,564	19,534,272	20,314,315	21,849,730	19,410,797	17,926,058	16,760,663	17,174,548
Special	6,860,466	6,992,967	7,542,752	7,987,500	7,982,672	9,528,999	7,956,259	7,275,595	6,915,251	6,378,855
Other	5,975,740	5,765,157	5,405,159	6,015,765	5,799,877	2,360,789	4,792,984	4,539,801	4,528,819	3,909,347
Support services:										
Student	1,298,581	1,228,088	1,093,585	1,067,736	1,105,029	994,130	939,490	824,229	745,104	797,409
Instructional staff	777,641	769,764	1,453,978	843,662	881,864	777,760	784,867	812,896	781,440	1,365,352
Administration	5,136,104	4,823,162	5,051,246	4,981,486	5,249,525	5,266,640	5,356,752	4,814,437	5,552,988	3,647,865
Operation and maintenance of plant	4,114,047	3,493,246	3,510,248	3,697,746	3,673,665	3,827,315	3,855,316	3,791,228	3,569,330	3,258,440
Transportation	1,626,176	1,539,157	1,782,067	1,678,751	1,589,557	1,571,046	1,473,055	1,387,985	1,387,587	1,170,207
Non-instructional programs	6,038	5,202	4,120	-	-	-	-	-	-	-
Capital outlay	19,534,673	5,450,113	3,940,891	2,712,080	2,972,443	5,254,515	3,242,708	2,975,650	13,249,013	25,733,717
Long-term debt:										
Principal	8,907,676	8,368,718	4,492,222	3,660,537	3,498,702	4,699,283	5,459,028	5,028,550	905,000	865,000
Interest and fiscal charges	821,142	423,053	398,593	798,757	960,066	1,013,940	1,113,059	1,265,962	550,218	512,918
Other expenditures:										
AEA flow-through	1,573,165	1,518,949	1,516,483	1,681,357	1,627,177	1,483,016	1,382,303	1,296,411	1,221,693	1,217,993
Total	\$ 79,268,743	61,714,642	57,118,908	54,659,649	55,654,892	58,627,163	55,766,618	51,938,802	56,167,106	66,031,651

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	106,802
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	632,141 *
			<u>738,943</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0225-GC	59,186
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	59,193
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	540,510
			<u>658,889</u>
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN AND YOUTH	84.013	FY 14	40,430
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	52,942
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 14	41,233
ADVANCED PLACEMENT PROGRAM	84.330	FY 14	627
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 13	6,238
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 14	6,334
			<u>12,572</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 14	145,455
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 14	23,348
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	200,410
TOTAL			<u>\$ 1,914,849</u>

* Includes \$91,131 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Ames Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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 Ames 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 Ames Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ames 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 Ames Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ames 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 and Questioned Costs, we identified deficiencies in internal control we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies as being material weaknesses.

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 II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ames 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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.

Ames Community School District's Responses to Findings

Ames Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Ames 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 Ames 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.

February 17, 2015
Newton, Iowa

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

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of Ames Community School District:

Report on Compliance for Each Major Federal Program

We have audited Ames Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Ames Community School District's major federal programs for the year ended June 30, 2014. Ames Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ames Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ames Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ames Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Ames Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Ames Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ames Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ames Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over compliance we consider to be significant deficiencies or material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2015
Newton, Iowa

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - ***Child Nutrition Cluster:***
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - ***Individual Program:***
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ames Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student and adult lunch account balances on the books. It was noted that several of the negative account balances were quite excessive, there were 38 accounts with deficit balances over \$500.00 and 7 of those were deficit over \$1,000.00.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District has contracted with TransWorld to send demand letters to families with negative account balances with little success. The District has begun to turn negative balance accounts over to TransWorld for formal collection procedures. Some monies will be recovered this way. The District will continue to review allowable meal policies with the Department of Education in serving students with negative account balances as they are limited so as not to identify socio-economic status of students. A revised food service policy will be brought forward to the Board for consideration and implementation.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted in any of the functional areas.

IV-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-14 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.

IV-D-14 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tim Rassmussen, Board Member Manager of Alfred's Carpet & Decorating	Supplies/services prior to election to Board	\$ 30,137
	after election to Board	3,274
		<u>\$ 33,411</u>

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with the Board Member do not appear to represent a conflict of interest as Mr. Rassmussen has no ownership interest in the business and his compensation is not based on the above sales to the District.

IV-E-14 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.

IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported was overstated by 2.0 students.

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

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

IV-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-14 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.

IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 2,902,661
Revenues:		
Sales tax revenues		<u>3,646,794</u>
		6,549,455
Expenditures:		
School infrastructure construction	\$ 1,640,900	
Other	<u>6,320</u>	<u>1,647,220</u>
Ending balance		<u>\$ 4,902,235</u>

For the year ended June 30, 2014 the District did not reduce any levies as a result of the moneys received under Chapter 423E and 423F of the Code of Iowa.

IV-M-13 Physical Plant and Equipment Levy(PPEL) Expenditures - We noted during our audit that the District made purchases from the PPEL Fund which do not appear to be in compliance with Chapter 423 and 298.3 of the Code of Iowa. The District had expenditures of \$17,260 for annual maintenance.

Recommendation - Expenditures for maintenance are more appropriate from the General Fund. The District should review Chapter 423 and Chapter 298 of the Code of Iowa for allowability of expenditures from the PPEL Fund. Since the District had allowable PPEL expenditures from the General Fund, we did not request a corrective transfer on the financial statements.

Response - The District will review what expenditures can be made from PPEL with staff and request only those expenditures be coded to PPEL. Current PPEL accounts will be reviewed with staff to identify and reclassify any expenditures not appropriately coded to PPEL.

Conclusion - Response accepted.