

A-H-S-T COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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A-H-S-T Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

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

(After September 2013 Election)

Bernadette Hatch	President	2017
Allen Cordes	Vice President	2015
Russell Sturm	Board Member	2015
Kimberly Wise	Board Member	2015
Amber Carcel	Board Member	2017
Robb Jacobsen	Board Member	2017
Steve Kock	Board Member	2017

School Officials

Jesse Ulrich	Superintendent	2014
Kelly Allen	District Secretary/Treasurer and Business Manager	2014
Brian Gruhn	Attorney	2014

A-H-S-T 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 A-H-S-T Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of A-H-S-T Community School District, Avoca, Iowa, as of and for the year ended June 30, 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 A-H-S-T 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.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise A-H-S-T Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2015 on our consideration of A-H-S-T Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering A-H-S-T Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

A-H-S-T Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,790,897 in fiscal 2013 to \$5,847,076 in fiscal 2014, while General Fund expenditures increased from \$5,728,861 in fiscal 2013 to \$6,202,970 in fiscal 2014. The District's General Fund balance decreased from \$2,005,841 at June 30, 2013 to \$1,649,947 at June 30, 2014, a decrease of 17.74% from the prior year.
- The increase in General Fund revenues was due primarily to increases in tuition and federal source revenues in fiscal 2014. The increase in expenditures was due primarily to an increase 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 A-H-S-T Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
A-H-S-T Community School District Annual Financial Report

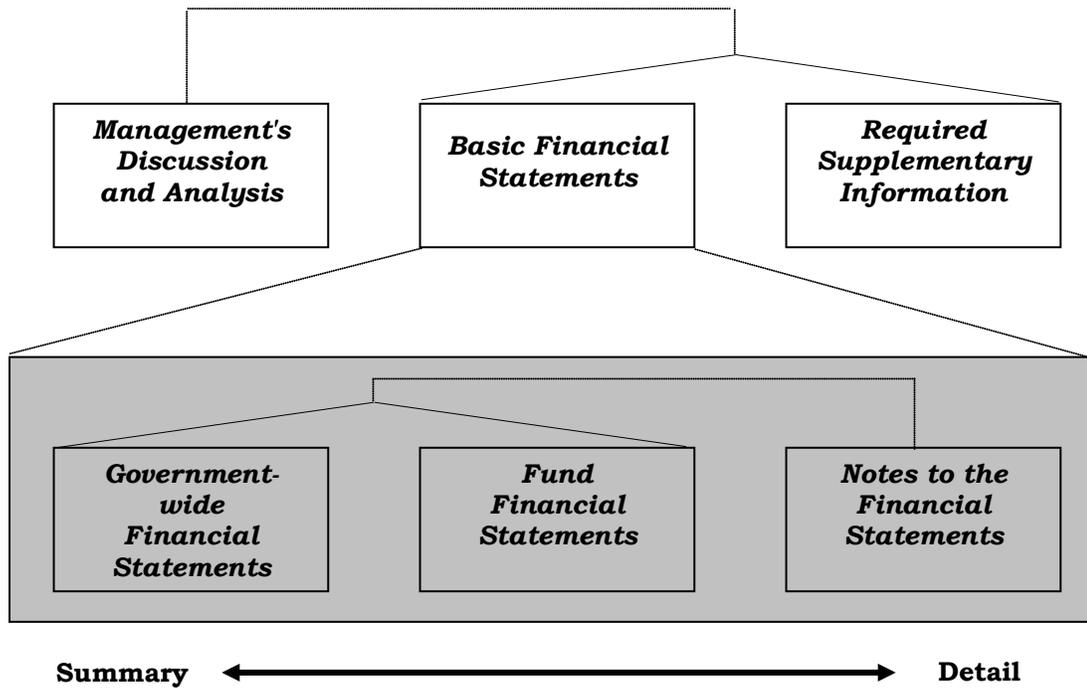


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, 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 two categories:

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

Reconciliation's between the government-wide financial statements and the 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	\$ 6,922,645	7,003,554	86,238	71,268	7,008,883	7,074,822	-0.93%
Capital assets	9,221,298	9,387,418	68,383	66,559	9,289,681	9,453,977	-1.74%
Total assets	16,143,943	16,390,972	154,621	137,827	16,298,564	16,528,799	-1.39%
Long-term obligations	4,967,352	5,000,401	-	-	4,967,352	5,000,401	-0.66%
Other liabilities	620,430	664,658	17,286	14,800	637,716	679,458	-6.14%
Total liabilities	5,587,782	5,665,059	17,286	14,800	5,605,068	5,679,859	-1.32%
Deferred inflows of resources	3,294,094	2,706,331	-	-	3,294,094	2,706,331	21.72%
Net position:							
Net investment in capital assets	4,986,298	4,652,418	68,383	66,559	5,054,681	4,718,977	7.11%
Restricted	1,027,998	1,613,360	-	-	1,027,998	1,613,360	-36.28%
Unrestricted	1,247,771	1,753,804	68,952	56,468	1,316,723	1,810,272	-27.26%
Total net position	\$ 7,262,067	8,019,582	137,335	123,027	7,399,402	8,142,609	-9.13%

The District's combined net position decreased by \$743,207, or 9.13% from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$585,362, or 36.28%. The decrease in restricted net position is due in part to the decrease in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased by \$493,549, or 27.26%. The decrease in unrestricted net position is due primarily to the decrease in 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 Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 613,744	584,125	149,449	138,166	763,193	722,291	5.66%
Operating grants, contributions and restricted interest	604,464	530,153	150,170	143,864	754,634	674,017	11.96%
Capital grants, contributions and restricted interest	-	2,000	-	-	-	2,000	-100.00%
General revenues and transfers:							
Property tax	2,694,869	2,803,276	-	-	2,694,869	2,803,276	-3.87%
Income surtax	345,951	321,106	-	-	345,951	321,106	7.74%
Statewide sales, services and use tax	517,875	537,756	-	-	517,875	537,756	-3.70%
Unrestricted state grants	2,413,083	2,421,752	-	-	2,413,083	2,421,752	-0.36%
Unrestricted investment earnings	5,799	4,684	-	-	5,799	4,684	23.80%
Other general revenues	58,417	29,459	2,159	40	60,576	29,499	105.35%
Total revenues	7,254,202	7,234,311	301,778	282,070	7,555,980	7,516,381	0.53%
Program expenses:							
Instruction	5,356,974	4,267,490	-	-	5,356,974	4,267,490	25.53%
Support services	1,954,594	1,708,301	618	9,128	1,955,212	1,717,429	13.85%
Non-instructional programs	-	-	286,852	274,187	286,852	274,187	4.62%
Other expenditures	700,149	715,681	-	-	700,149	715,681	-2.17%
Total expenses	8,011,717	6,691,472	287,470	283,315	8,299,187	6,974,787	18.99%
Change in net position	(757,515)	542,839	14,308	(1,245)	(743,207)	541,594	237.23%
Net position beginning of year	8,019,582	7,476,743	123,027	124,272	8,142,609	7,601,015	7.13%
Net position end of year	\$ 7,262,067	8,019,582	137,335	123,027	7,399,402	8,142,609	-9.13%

In fiscal 2014, property tax and unrestricted state grants accounted for 70.41% of the revenue from governmental activities while charges for service and sales and operating grants and contributions accounted for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$7.55 million, of which approximately \$7.25 million was for governmental activities and approximately \$0.30 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.53% increase in revenues and an 18.99% increase in expenses. The biggest increase in expenses occurred in the instruction functional area.

Governmental Activities

Revenues for governmental activities were \$7,254,202 and expenses were \$8,011,717.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 5,356,974	4,267,490	25.53%	4,377,137	3,384,954	29.31%
Support services	1,954,594	1,708,301	14.42%	1,954,594	1,706,301	14.55%
Other expenditures	700,149	715,681	-2.17%	461,778	483,939	-4.58%
Totals	\$ 8,011,717	6,691,472	19.73%	6,793,509	5,575,194	21.85%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$613,744.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$604,464.
- The net cost of governmental activities was financed with \$2,694,869 in property tax, \$345,951 in income surtax, \$517,875 in statewide sales, services and use tax, \$2,413,083 in unrestricted state grants, \$5,799 in interest income and \$58,417 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$301,778 and expenses were \$287,470. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,747,008, below last year's ending fund balances of \$3,360,918. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to the decrease in fund balance of the General Fund.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. The District received increased State and Federal revenues as compared to the prior year, which resulted in an increase in total revenues. However, the increase in revenues was more than offset by the increase in instructional and support services expenditures causing a decrease in General Fund balance from \$2,005,841 at June 30, 2013 to \$1,649,947 at June 30, 2014.
- The Management Levy Fund balance increased from \$459,100 at June 30, 2013 to \$612,305 at June 30, 2014. This is primarily due to the increase in property taxes received in fiscal 2014 as compared to the prior year.
- The Capital Projects accounts balance decreased from \$686,534 at June 30, 2013 to \$456,909 at June 30, 2014. This can be attributed to increased spending in the instruction functional area during fiscal 2014 as compared to the prior year.
- The Debt Service Fund balance decreased from \$175,832 at June 30, 2013 to \$17,047 at June 30, 2014. The decrease was due to the early repayment of the District's revenue bonds which required the use of the revenue bond reserve fund formerly held in the Debt Service Fund.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from \$123,027 at June 30, 2013 to \$137,355 at June 30, 2014, representing an increase of 11.63%.

BUDGETARY HIGHLIGHTS

Over the course of the year, A-H-S-T Community School District amended its budget one time to reflect additional expenditures associated with the early repayment of revenue bonds

The District's revenues were \$32,899 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$9,289,681, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.74% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$347,727.

The original cost of the District's capital assets was \$13,107,507. Governmental funds account for \$12,965,746 with the remainder of \$141,761 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$255,040 at June 30, 2014, compared to \$219,163 reported at June 30, 2013. This increase primarily resulted from the District purchasing a new Chevy Suburban.

	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	\$ 301,028	301,028	-	-	301,028	301,028	0.00%
Buildings	7,595,639	7,718,381	-	-	7,595,639	7,718,381	-1.59%
Land improvements	1,137,974	1,215,405	-	-	1,137,974	1,215,405	-6.37%
Machinery and equipment	186,657	152,604	68,383	66,559	255,040	219,163	16.37%
Total	\$ 9,221,298	9,387,418	68,383	66,559	9,289,681	9,453,977	-1.74%

Long-Term Debt

At June 30, 2014, the District had long-term debt outstanding of \$4,967,352. This represents a decrease of 0.66% from the prior year. (See Figure A-4) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding general obligation bonds of \$4,235,000 at June 30, 2014.

At June 30, 2014, the District had an outstanding computer lease obligation of \$325,426 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$270,000 at June 30, 2014.

The District had a net other postemployment benefits liability of \$136,926 at June 30, 2014.

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
General obligation bonds	\$ 4,235,000	4,475,000	-5.36%
Revenue bonds	-	260,000	-100.00%
Computer lease	325,426	107,728	202.08%
Termination benefits	270,000	50,633	433.25%
Net OPEB liability	136,926	107,040	27.92%
Total	\$ 4,967,352	5,000,401	-0.66%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The A-H-S-T Community School District is in the first year of a 7-12 whole grade sharing agreement with the Walnut Community School District. This agreement is a four year agreement. The districts are working toward reorganization.
- District enrollment has increased slightly over the last three years. The district had 612 students enrolled as of October 1, 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kelly Allen, District Secretary/Treasurer and Business Manager, A-H-S-T Community School District, P.O. Box 158, Avoca, Iowa, 51521.

BASIC FINANCIAL STATEMENTS

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 3,022,084	83,355	3,105,439
Receivables:			
Property tax:			
Delinquent	24,378	-	24,378
Succeeding year property tax	3,294,094	-	3,294,094
Income surtax	277,650	-	277,650
Accounts	6,698	214	6,912
Due from other governments	296,613	-	296,613
Inventories	-	2,669	2,669
Prepaid expenses	1,128	-	1,128
Capital assets, net of accumulated depreciation	9,221,298	68,383	9,289,681
Total Assets	16,143,943	154,621	16,298,564
Liabilities			
Accounts payable	191,860	-	191,860
Salaries and benefits payable	412,033	13,859	425,892
Accrued interest payable	16,537	-	16,537
Unearned revenue	-	3,427	3,427
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	250,000	-	250,000
Computer lease payable	196,517	-	196,517
Termination benefits payable	90,000	-	90,000
Portion due after one year:			
General obligation bonds payable	3,985,000	-	3,985,000
Computer lease payable	128,909	-	128,909
Termination benefits payable	180,000	-	180,000
Net OPEB liability	136,926	-	136,926
Total Liabilities	5,587,782	17,286	5,605,068
Deferred Inflows of Resources			
Unavailable property tax revenues	3,294,094	-	3,294,094
Net Position			
Net investment in capital assets	4,986,298	68,383	5,054,681
Restricted for:			
Categorical funding	171,069	-	171,069
Debt service	510	-	510
Management levy purposes	342,305	-	342,305
Student activities	57,205	-	57,205
School infrastructure	389,978	-	389,978
Physical plant and equipment	66,931	-	66,931
Unrestricted	1,247,771	68,952	1,316,723
Total Net Position	\$ 7,262,067	137,335	7,399,402

SEE NOTES TO FINANCIAL STATEMENTS.

**A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Gov- ern- men- tal Activities	Busi- ness Type Activities		
Expenses						
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,853,156	478,175	75,728	(3,299,253)	-	(3,299,253)
Special	639,824	19,134	27,391	(593,299)	-	(593,299)
Other	863,994	116,435	262,974	(484,585)	-	(484,585)
	<u>5,356,974</u>	<u>613,744</u>	<u>366,093</u>	<u>(4,377,137)</u>	<u>-</u>	<u>(4,377,137)</u>
Support services:						
Student	111,090	-	-	(111,090)	-	(111,090)
Instructional staff	144,429	-	-	(144,429)	-	(144,429)
Administration	850,769	-	-	(850,769)	-	(850,769)
Operation and maintenance of plant	501,728	-	-	(501,728)	-	(501,728)
Transportation	346,578	-	-	(346,578)	-	(346,578)
	<u>1,954,594</u>	<u>-</u>	<u>-</u>	<u>(1,954,594)</u>	<u>-</u>	<u>(1,954,594)</u>
Long-term debt interest	186,918	-	-	(186,918)	-	(186,918)
Other expenditures:						
AEA flowthrough	238,371	-	238,371	-	-	-
Depreciation(unallocated)*	274,860	-	-	(274,860)	-	(274,860)
	<u>513,231</u>	<u>-</u>	<u>238,371</u>	<u>(274,860)</u>	<u>-</u>	<u>(274,860)</u>
Total governmental activities	<u>8,011,717</u>	<u>613,744</u>	<u>604,464</u>	<u>(6,793,509)</u>	<u>-</u>	<u>(6,793,509)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	618	-	-	-	(618)	(618)
Non-instructional programs:						
Food service operations	286,852	149,449	150,170	-	12,767	12,767
Total business type activities	287,470	149,449	150,170	-	12,149	12,149
Total	<u>\$ 8,299,187</u>	<u>763,193</u>	<u>754,634</u>	<u>(6,793,509)</u>	<u>12,149</u>	<u>(6,781,360)</u>
General Revenues:						
Property tax levied for:						
General purposes			\$ 2,176,610	-		2,176,610
Capital outlay			97,970	-		97,970
Debt service			420,289	-		420,289
Income surtax			345,951	-		345,951
Statewide sales, services and use tax			517,875	-		517,875
Unrestricted state grants			2,413,083	-		2,413,083
Unrestricted investment earnings			5,799	-		5,799
Other			58,417	2,159		60,576
Total general revenues			<u>6,035,994</u>	<u>2,159</u>		<u>6,038,153</u>
Change in net position			(757,515)	14,308		(743,207)
Net position beginning of year			8,019,582	123,027		8,142,609
Net position end of year			<u>\$ 7,262,067</u>	<u>137,335</u>		<u>7,399,402</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
Assets						
Cash, cash equivalents and pooled investments	\$ 2,073,845	609,779	317,148	13,547	7,765	3,022,084
Receivables:						
Property tax:						
Delinquent	17,536	2,526	816	3,500	-	24,378
Succeeding year	2,170,714	149,999	106,094	867,287	-	3,294,094
Income surtax	277,650	-	-	-	-	277,650
Accounts	2,506	-	-	-	4,192	6,698
Due from other funds	-	-	14,806	-	-	14,806
Due from other governments	172,474	-	124,139	-	-	296,613
Prepaid expenses	1,128	-	-	-	-	1,128
Total Assets	\$ 4,715,853	762,304	563,003	884,334	11,957	6,937,451
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 190,703	-	-	-	1,157	191,860
Salaries and benefits payable	412,033	-	-	-	-	412,033
Due to other funds	14,806	-	-	-	-	14,806
Total Liabilities	617,542	-	-	-	1,157	618,699
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	2,170,714	149,999	106,094	867,287	-	3,294,094
Income surtax	277,650	-	-	-	-	277,650
Total deferred inflows of resources	2,448,364	149,999	106,094	867,287	-	3,571,744
Fund balances:						
Nonspendable	1,128	-	-	-	-	1,128
Restricted for:						
Categorical funding	171,069	-	-	-	-	171,069
Debt service	-	-	-	17,047	-	17,047
Management levy purposes	-	612,305	-	-	-	612,305
Student activities	-	-	-	-	57,205	57,205
School infrastructure	-	-	389,978	-	-	389,978
Physical plant and equipment	-	-	66,931	-	-	66,931
Unassigned:						
General	1,477,750	-	-	-	-	1,477,750
Student activities	-	-	-	-	(46,405)	(46,405)
Total fund balances	1,649,947	612,305	456,909	17,047	10,800	2,747,008
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,715,853	762,304	563,003	884,334	11,957	6,937,451

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	2,747,008
 <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 the governmental funds.		9,221,298
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(16,537)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		277,650
Long-term liabilities, including general obligation bonds payable, computer leases payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,967,352)</u>
Net position of governmental activities(page 18)	\$	<u>7,262,067</u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
Revenues:						
Local sources:						
Local tax	\$ 2,265,873	273,797	97,970	420,289	-	3,057,929
Tuition	481,625	-	-	-	-	481,625
Other	85,069	4,312	287	71	109,634	199,373
Intermediate sources	42,367	-	-	-	-	42,367
State sources	2,769,288	-	517,875	-	-	3,287,163
Federal sources	202,854	-	-	-	-	202,854
Total revenues	<u>5,847,076</u>	<u>278,109</u>	<u>616,132</u>	<u>420,360</u>	<u>109,634</u>	<u>7,271,311</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,821,778	50,633	465,109	-	132,445	3,469,965
Special	612,780	-	-	-	-	612,780
Other	826,409	-	-	-	-	826,409
	<u>4,260,967</u>	<u>50,633</u>	<u>465,109</u>	<u>-</u>	<u>132,445</u>	<u>4,909,154</u>
Support services:						
Student	106,464	-	-	-	-	106,464
Instructional staff	144,641	-	-	-	-	144,641
Administration	786,607	42,177	4,665	-	-	833,449
Operation and maintenance of plant	394,336	24,191	65,936	-	-	484,463
Transportation	271,584	7,903	49,264	-	-	328,751
	<u>1,703,632</u>	<u>74,271</u>	<u>119,865</u>	<u>-</u>	<u>-</u>	<u>1,897,768</u>
Capital outlay	-	-	364,133	-	-	364,133
Long-term debt:						
Principal	-	-	-	553,055	-	553,055
Interest and fiscal charges	-	-	-	193,493	-	193,493
	<u>-</u>	<u>-</u>	<u>-</u>	<u>746,548</u>	<u>-</u>	<u>746,548</u>
Other expenditures:						
AEA flowthrough	238,371	-	-	-	-	238,371
Total expenditures	<u>6,202,970</u>	<u>124,904</u>	<u>949,107</u>	<u>746,548</u>	<u>132,445</u>	<u>8,155,974</u>
Excess(Deficiency) of revenues over(under) expenditures	(355,894)	153,205	(332,975)	(326,188)	(22,811)	(884,663)
Other financing sources(uses):						
Transfer in	-	-	-	167,403	-	167,403
Transfer out	-	-	(167,403)	-	-	(167,403)
Proceeds from computer leases	-	-	270,753	-	-	270,753
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>103,350</u>	<u>167,403</u>	<u>-</u>	<u>270,753</u>
Change in fund balances	(355,894)	153,205	(229,625)	(158,785)	(22,811)	(613,910)
Fund balances beginning of year	<u>2,005,841</u>	<u>459,100</u>	<u>686,534</u>	<u>175,832</u>	<u>33,611</u>	<u>3,360,918</u>
Fund balances end of year	<u>\$ 1,649,947</u>	<u>612,305</u>	<u>456,909</u>	<u>17,047</u>	<u>10,800</u>	<u>2,747,008</u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22) \$ (613,910)

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

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

Capital outlay	\$ 170,764	
Depreciation expense	<u>(336,884)</u>	(166,120)

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. 6,575

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 issuances and repayments are as follows:

Issued	\$ (270,753)	
Repaid	<u>553,055</u>	282,302

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (17,109)

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

Termination benefits	\$ (219,367)	
Other postemployment benefits	<u>(29,886)</u>	<u>(249,253)</u>

Change in net position of governmental activities(page 19) \$ (757,515)

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2014

	<u>Enterprise, School Nutrition</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 83,355
Accounts receivable	214
Inventories	2,669
Total current assets	<u>86,238</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	68,383
Total assets	<u>154,621</u>
Liabilities	
Current liabilities:	
Salaries and benefits payable	13,859
Unearned revenue	3,427
Total liabilities	<u>17,286</u>
Net Position	
Net investment in capital assets	68,383
Unrestricted	68,952
Total net position	<u>\$ 137,335</u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 149,449
Miscellaneous	2,159
Total operating expenses	151,608
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	618
Non-instructional programs:	
Food service operations:	
Salaries	77,531
Benefits	13,412
Supplies	180,816
Depreciation	10,843
Other	4,250
	286,852
Total operating expenses	287,470
Operating loss	(135,862)
Non-operating revenues:	
State sources	2,925
Federal sources	147,245
Total non-operating revenues	150,170
Increase in net position	14,308
Net position beginning of year	123,027
Net position end of year	\$ 137,335

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 150,067
Cash received from miscellaneous operating activities	2,159
Cash payments to employees for services	(89,289)
Cash payments to suppliers for goods or services	(173,462)
Net cash used in operating activities	(110,525)
Cash flows from non-capital financing activities:	
State grants received	2,925
Federal grants received	135,609
Net cash provided by non-capital financing activities	138,534
Cash flows from capital financing activities:	
Acquisition of capital assets	(12,667)
Net increase in cash and cash equivalents	15,342
Cash and cash equivalents beginning of year	68,013
Cash and cash equivalents end of year	\$ 83,355
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (135,862)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	11,636
Depreciation	10,843
Decrease in inventories	586
Increase in accounts receivable	(214)
Increase in salaries and benefits payable	1,654
Increase in unearned revenue	832
Net cash used in operating activities	\$ (110,525)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$11,636 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 485,661
Liabilities	-
Net position	
Restricted for scholarships	\$ 485,661

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	<u>\$ 6,179</u>
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>6,400</u>
Change in net position	(221)
Net position beginning of year	<u>485,882</u>
Net position end of year	<u><u>\$ 485,661</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Shelby, Harrison, and Pottawattamie 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 attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. 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 is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

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

The District reports the following nonmajor proprietary fund:

The Enterprise, School Nutrition fund is the School is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 Funds 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 which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

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

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

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

Deferred 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 unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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 the preceding classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, District expenditures exceeded the amounts budgeted in the instruction, support services, non-instructional programs and other expenditures functional areas as well as in total.

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 \$6,273 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 301,028	-	-	301,028
Total capital assets not being depreciated	<u>301,028</u>	-	-	<u>301,028</u>
Capital assets being depreciated:				
Buildings	9,802,841	74,687	-	9,877,528
Land improvements	1,725,095	-	-	1,725,095
Machinery and equipment	966,018	96,077	-	1,062,095
Total capital assets being depreciated	<u>12,493,954</u>	<u>170,764</u>	-	<u>12,664,718</u>
Less accumulated depreciation for:				
Buildings	2,084,460	197,429	-	2,281,889
Land improvements	509,690	77,431	-	587,121
Machinery and equipment	813,414	62,024	-	875,438
Total accumulated depreciation	<u>3,407,564</u>	<u>336,884</u>	-	<u>3,744,448</u>
Total capital assets being depreciated, net	<u>9,086,390</u>	<u>(166,120)</u>	-	<u>8,920,270</u>
Governmental activities capital assets, net	<u>\$ 9,387,418</u>	<u>(166,120)</u>	-	<u>9,221,298</u>
Business type activities:				
Machinery and equipment	\$ 129,094	12,667	-	141,761
Less accumulated depreciation	<u>62,535</u>	<u>10,843</u>	-	<u>73,378</u>
Business type activities capital assets, net	<u>\$ 66,559</u>	<u>1,824</u>	-	<u>68,383</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 5,398
Other		2,921
Support services:		
Instructional staff		1,799
Administration		10,198
Operation and maintenance of plant		4,070
Transportation		<u>37,638</u>
		62,024
Unallocated depreciation		<u>274,860</u>
Total governmental activities depreciation expense		<u>\$ 336,884</u>
Business type activities:		
Food service operations		<u>\$ 10,843</u>

Note 4. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 4,475,000	-	240,000	4,235,000	250,000
Revenue bonds	260,000	-	260,000	-	-
Computer lease	107,728	270,753	53,055	325,426	196,517
Termination benefits	50,633	270,000	50,633	270,000	90,000
Net OPEB liability	107,040	29,886	-	136,926	-
Total	\$ 5,000,401	570,639	603,688	4,967,352	536,517

General Obligation Bonds

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

Year Ending June 30,	Bond issue December 1, 2007			
	Interest Rate	Principal	Interest	Total
2015	4.000%	\$ 250,000	171,538	421,538
2016	4.000	260,000	161,537	421,537
2017	4.000	270,000	151,138	421,138
2018	4.000	285,000	140,337	425,337
2019	4.000	295,000	128,938	423,938
2020-2024	4.000-4.100	1,680,000	456,712	2,136,712
2025-2027	4.125-4.150	1,195,000	100,343	1,295,343
Total		\$ 4,235,000	1,310,543	5,545,543

Computer Lease

On May 16, 2013, the District entered into a lease agreement with Apple, Inc. for the purchase of computers. The District added onto the original lease agreement for the purchase of additional computers on March 15, 2014. Principal and interest payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's June 30, 2014 computer lease indebtedness is as follows:

Year Ending June 30,	Computer lease dated May 16, 2013			Computer lease dated March 15, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	3.05%	\$ 54,673	1,668	3.50%	\$ 16,263	569

Year Ending June 30,	Computer lease dated March 15, 2014			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	2.65%	\$ 125,581	6,744	196,517	8,981	205,498
2016	2.65	128,909	3,416	128,909	3,416	132,325
		\$ 254,490	10,160	325,426	12,397	337,823

Termination Benefits (Early Retirement)

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

The District offered a voluntary early retirement plan in 2014 to its certified employees. Eligible employees had to be at least age fifty-five and must have completed nine years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Each participating employee will receive an annual benefit equal to \$15,000. Payment shall be for three years, up to a maximum of \$45,000 and each year the contribution is to be placed in a Health Reimbursement Account for the employee until such time that the maximum dollar amount is reached.

At June 30, 2014, the District had obligations to six fiscal year 2014 early retirees with a total liability of \$270,000. Actual early retirement expenditures for the year totaled \$50,633.

Note 5. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ <u>167,403</u>

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

Note 6. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects: Physical Plant and Equipment Levy	General	\$ <u>14,806</u>

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for the purchase of two bus engines and rear end; an expense more appropriate to the General Fund (see comment II-Q-14).

Note 7. 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 contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$288,675, \$257,589, and \$251,666 respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits(OPEB)

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

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	37,033
Interest on net OPEB obligation		2,676
Adjustment to annual required contribution		<u>(7,077)</u>
Annual OPEB cost		32,632
Contributions made		<u>(2,746)</u>
Increase in net OPEB obligation		29,886
Net OPEB obligation beginning of year		<u>107,040</u>
Net OPEB obligation end of year	\$	<u><u>136,926</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$2,746 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 32,078	14.72%	\$ 77,435
2013	31,836	7.01	107,040
2014	32,632	8.42	136,926

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 \$258,586, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$258,586. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,220,503 and the ratio of the UAAL to covered payroll was 11.65%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

Projected claim costs of the medical plan are \$814 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

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

Note 10. 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 \$238,371 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 11. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction, support services, non-instructional programs and other expenditures functional areas, as well as in total.

Note 12. Property Lease Agreements

For the year ended June 30, 2014, the District had a lease with Pottawattamie County Fair Board to rent a parking lot located on the fair grounds. The lease is renewable on an annual basis. The rental payment for fiscal year 2014 was \$3,000.

The District also had a rental agreement with Family Incorporated for the use of one District classroom at \$400 per month for adult education classes during the fiscal year. The District received payments of \$4,800 for fiscal year 2014.

Note 13. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home School Assistance Program	\$ 3,626
Gifted and Talented Programs	85,348
Teacher Salary Supplement	37,797
Successful Progression for Early Readers	16,539
Professional Development for Model Core Curriculum	20,560
Teacher Leadership Grants	7,199
Total	<u>\$ 171,069</u>

Note 14. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	<u>Invested in Capital Assets</u>	<u>Management Levy</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	612,305	17,047	1,477,750
Capital assets, net of accumulated debt	9,221,298	-	-	-
General obligation bond capitalized indebtedness	(4,235,000)	-	-	-
Termination benefits payable	-	(270,000)	-	-
Accrued interest payable	-	-	(16,537)	-
Income surtax	-	-	-	277,650
Computer lease payable	-	-	-	(325,426)
Net OPEB liability	-	-	-	(136,926)
Nonspendable fund balance	-	-	-	1,128
Unassigned student activities fund balance	-	-	-	(46,405)
Net position (Exhibit A)	<u>\$ 4,986,298</u>	<u>342,305</u>	<u>510</u>	<u>1,247,771</u>

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of 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 disclosure 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.

Note 16. Deficit Fund Balance

At June 30, 2014, the Student Activity Fund had twelve deficit accounts with a total deficit unassigned fund balance of \$46,405.

REQUIRED SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY 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	\$ 3,738,927	151,608	3,890,535	4,440,509	4,440,509	(549,974)
Intermediate sources	42,367	-	42,367	44,700	44,700	(2,333)
State sources	3,287,163	2,925	3,290,088	2,770,433	2,770,433	519,655
Federal sources	202,854	147,245	350,099	284,548	284,548	65,551
Total revenues	<u>7,271,311</u>	<u>301,778</u>	<u>7,573,089</u>	<u>7,540,190</u>	<u>7,540,190</u>	<u>32,899</u>
Expenditures/Expenses:						
Instruction	4,909,154	-	4,909,154	4,697,534	4,697,534	(211,620)
Support services	1,897,768	618	1,898,386	1,884,994	1,884,994	(13,392)
Non-instructional programs	-	286,852	286,852	260,402	260,402	(26,450)
Other expenditures	1,349,052	-	1,349,052	1,153,218	1,247,441	(101,611)
Total expenditures/expenses	<u>8,155,974</u>	<u>287,470</u>	<u>8,443,444</u>	<u>7,996,148</u>	<u>8,090,371</u>	<u>(353,073)</u>
Deficiency of revenues under expenditures/expenses	(884,663)	14,308	(870,355)	(455,958)	(550,181)	(320,174)
Other financing sources, net	<u>270,753</u>	-	<u>270,753</u>	-	-	<u>270,753</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(613,910)	14,308	(599,602)	(455,958)	(550,181)	(49,421)
Balance beginning of year	<u>3,360,918</u>	<u>123,027</u>	<u>3,483,945</u>	<u>3,621,175</u>	<u>3,621,175</u>	<u>(137,230)</u>
Balance end of year	<u>\$ 2,747,008</u>	<u>137,335</u>	<u>2,884,343</u>	<u>3,165,217</u>	<u>3,070,994</u>	<u>(186,651)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$94,223.

During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction, support services, non-instructional programs and other expenditures functional areas, as well as in total.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 288,251	288,251	0.0%	\$ 2,574,815	11.20%
2011	July 1, 2009	-	280,360	280,360	0.0	2,358,015	11.89
2012	July 1, 2009	-	241,291	241,291	0.0	2,620,482	9.21
2013	July 1, 2012	-	265,538	265,538	0.0	2,421,675	10.97
2014	July 1, 2012	-	258,586	258,586	0.0	2,220,503	11.65

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 265,839	51,309	317,148
Receivables:			
Property tax:			
Delinquent	-	816	816
Succeeding year	-	106,094	106,094
Due from other funds	-	14,806	14,806
Due from other governments	124,139	-	124,139
Total assets	\$ 389,978	173,025	563,003
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	106,094	106,094
Fund balances:			
Restricted for:			
School infrastructure	389,978	-	389,978
Physical plant and equipment	-	66,931	66,931
Total fund balances	389,978	66,931	456,909
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 389,978	173,025	563,003

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	97,970	97,970
Other	268	19	287
State sources	517,875	-	517,875
Total revenues	<u>518,143</u>	<u>97,989</u>	<u>616,132</u>
Expenditures:			
Current:			
Instruction:			
Regular	449,095	16,014	465,109
Support services:			
Administration	-	4,665	4,665
Operation and maintenance of plant	58,538	7,398	65,936
Transportation	15,734	33,530	49,264
Capital outlay	273,586	90,547	364,133
Total expenditures	<u>796,953</u>	<u>152,154</u>	<u>949,107</u>
Deficiency of revenues under expenditures	(278,810)	(54,165)	(332,975)
Other financing sources(uses):			
Transfer out	(167,403)	-	(167,403)
Proceeds from computer leases	270,753	-	270,753
Total other financing sources(uses)	<u>103,350</u>	<u>-</u>	<u>103,350</u>
Change in fund balances	(175,460)	(54,165)	(229,625)
Fund balances beginning of year	<u>565,438</u>	<u>121,096</u>	<u>686,534</u>
Fund balances end of year	<u>\$ 389,978</u>	<u>66,931</u>	<u>456,909</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ (2,538)	2,340	4,571	-	(4,769)
Show choir	1,063	2,200	1,060	-	2,203
General athletics	923	620	4,737	-	(3,194)
Track	(4,698)	6,144	6,565	-	(5,119)
Cross country	772	935	1,306	-	401
Golf	(2,726)	1,012	2,640	-	(4,354)
Cheerleaders-wrestling	1,931	735	169	-	2,497
Cheerleaders-basketball	5,347	2,684	1,699	-	6,332
Cheerleaders-football	2,757	202	317	-	2,642
Boys basketball	851	6,948	7,814	-	(15)
Football	7,809	22,701	18,996	-	11,514
Boys soccer	428	4,660	8,536	-	(3,448)
Baseball	5,903	4,917	6,514	-	4,306
Wrestling	1,062	5,744	6,452	-	354
Girls basketball	4	3,652	3,656	-	-
Volleyball	(6,106)	6,035	6,088	-	(6,159)
Girls soccer	(2,595)	1,250	7,164	-	(8,509)
Softball	6,616	5,402	3,702	-	8,316
Stength & conditioning	3,847	333	2,802	-	1,378
Yearbook	(5,172)	2,475	4,546	-	(7,243)
FCCLA	1,692	4,706	4,600	-	1,798
Drill team	495	-	2,650	-	(2,155)
National honor society	20	-	580	-	(560)
Class of 2013	(4)	-	-	4	-
Class of 2014	1,473	-	1,470	-	3
Class of 2015	137	5,397	4,768	(4)	762
H.S. student activities	(298)	1,445	2,027	-	(880)
Vocal	4,553	2,690	2,556	-	4,687
Musical	1,364	1,212	297	-	2,279
Elementary activity	2,572	938	1,947	-	1,563
Student council	4,922	5,473	6,868	-	3,527
Concessions	1,207	6,784	5,348	-	2,643
Total	<u>\$ 33,611</u>	<u>109,634</u>	<u>132,445</u>	<u>-</u>	<u>10,800</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS
 JUNE 30, 2014

	Private Purpose Trust				
	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
Assets					
Cash and pooled investments	\$ 25,680	257,982	185,521	16,478	485,661
Liabilities					
	-	-	-	-	-
Net Position					
Restricted for scholarships	\$ 25,680	257,982	185,521	16,478	485,661

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN
 FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust				Total
	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	
Additions:					
Local sources:					
Interest income	\$ 1,322	736	4,023	98	6,179
Deductions:					
Instruction:					
Other:					
Scholarships awarded	1,900	1,000	3,000	500	6,400
Change in net position	(578)	(264)	1,023	(402)	(221)
Net position beginning of year	26,258	258,246	184,498	16,880	485,882
Net position end of year	\$ 25,680	257,982	185,521	16,478	485,661

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T 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	\$ 3,057,929	3,649,567	3,617,912	3,832,767	3,399,417	3,429,848	2,828,866	2,611,869	2,440,846	2,312,212
Tuition	481,625	427,428	340,478	256,222	130,588	146,243	141,541	100,379	203,872	84,692
Other	199,373	202,303	209,718	470,274	471,577	479,351	548,853	264,582	363,391	236,359
Intermediate sources	42,367	37,778	43,028	63,154	38,994	47,652	106,027	87,490	59,357	-
State sources	3,287,163	2,749,977	2,997,835	2,924,331	2,795,711	2,948,365	3,285,084	3,171,235	3,028,117	2,862,093
Federal sources	202,854	154,687	216,759	335,184	631,586	606,768	167,103	149,123	174,196	234,908
Total	\$ 7,271,311	7,221,740	7,425,730	7,881,932	7,467,873	7,658,227	7,077,474	6,384,678	6,269,779	5,730,264
Expenditures:										
Instruction:										
Regular	\$ 3,469,965	3,154,661	2,899,144	2,915,349	3,459,725	2,854,869	2,764,700	2,777,279	2,891,637	2,746,076
Special	612,780	432,410	611,927	726,176	591,934	563,240	579,189	639,589	613,855	864,153
Other	826,409	723,446	677,741	776,225	768,647	706,277	778,041	647,404	687,457	441,090
Support services:										
Student	106,464	73,220	56,015	39,188	29,952	36,337	45,401	46,592	45,617	124,686
Instructional	144,641	146,765	93,306	79,475	75,331	47,812	93,585	92,229	82,881	96,833
Administration	833,449	721,112	680,441	613,394	762,394	923,306	685,141	575,076	586,907	560,376
Operation and maintenance of plant	484,463	422,436	358,444	417,199	486,274	411,787	460,509	460,189	597,196	418,645
Transportation	328,751	341,028	215,958	254,165	356,289	266,248	325,759	355,980	261,447	194,346
Non-instructional programs:										
Community service operations	-	-	-	-	-	-	-	-	154	-
Capital outlay	364,133	13,515	270,003	427,584	1,589,003	5,378,281	1,482,292	424,711	545,686	128,925
Long-term debt:										
Principal	553,055	792,436	663,005	640,220	490,000	80,000	63,029	-	-	-
Interest and fiscal charges	193,493	221,879	234,267	251,290	269,623	358,471	2,548	-	-	-
Other expenditures:										
AEA flow-through	238,371	231,742	233,528	262,260	260,451	229,509	223,429	212,553	195,320	184,761
Total	\$ 8,155,974	7,274,650	6,993,779	7,402,525	9,139,623	11,856,137	7,503,623	6,231,602	6,508,157	5,759,891

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 A-H-S-T Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of A-H-S-T Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-14 to be a significant deficiency.

Compliance and Other Matters

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

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

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

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2015
Newton, Iowa

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District:

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

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

Response - The District has hired an accounts payable/receivable person. The District will review the control procedures and delegate duties to this position in order to further segregate duties.

Conclusion - Response accepted.

I-B-14 Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by non-certified coaches and other non-certified staff.

Recommendation - In order to comply with Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified coaches and staff. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District maintains timesheets via an electronic time keeping system. The District will require all coaches who are not employees to maintain a timesheet.

Conclusion - Response accepted.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014, exceeded the amounts budgeted in the instruction, support services, non-instructional and other expenditures functional areas, as well as in total.

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

Response - The other expenditures functional area of the budget was amended due to the fact that the District paid off revenue bonds early. The District will more closely monitor the other budget categories and amend the budget as necessary.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Keith Holtz, Board Member Owner of Holtz Service & Small Engine	Repairs and maintenance	\$ 313

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

II-E-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.

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

II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

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

II-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, except that the District did not pass a depository resolution.

Recommendation - Per Chapter 12C.2 of the Code of Iowa, the approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository.

Response - The District will pass a depository resolution at the annual meeting in September beginning with the September 2014 meeting.

Conclusion - Response accepted.

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.

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

II-L-14 Statewide Sales, Service and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified annual reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning Balance		\$	565,438
Revenues:			
Sales tax revenues	\$	517,875	
Other local revenues		268	
Sale of long-term debt		270,753	
			<u>788,896</u>
			1,354,334
Expenditures/transfer out:			
School infrastructure construction	\$	273,586	
Equipment		523,367	
Transfer to other funds:			
Debt service fund		167,403	
			<u>964,356</u>
Ending Balance		\$	<u><u>389,978</u></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 or 423F of the Code of Iowa.

II-M-14 Financial Condition - As of June 30, 2014, the Student Activity Fund had a deficit unassigned fund balance of \$46,405.

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

Response - The District is working on a plan on how to cover the deficit accounts in the Student Activity Fund.

Conclusion - Response accepted.

II-N-14 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

Scholarship Awards: During our audit we noted a scholarship check written from the Student Council account within the Student Activity Fund.

Recommendation - If student activity groups intend on awarding scholarships each year, the District needs to make these groups aware to fundraise specifically for the purpose of awarding a scholarship. When fundraising for scholarships takes place, the District should deposit the proceeds into the appropriate fund. Monies fundraised for scholarships should be receipted and expensed from the Private-Purpose Trust Fund.

Response - Funds raised for Student Council scholarships will be receipted into the Private Purpose Trust Fund.

Conclusion - Response accepted.

II-O-14 Disposal of Property - During our audit we noted that the District sold old desks to patrons of the District, however, this sale was not published by at least one insertion each week for two consecutive weeks as required by Chapter 297.22 of the Code of Iowa.

Recommendation - Code of Iowa Chapter 297.22 states in part, "Before the board of directors may sell, lease for a period in excess of one year, or dispose of any property belonging to the school, the board shall hold a public hearing on the proposal. The board shall set forth its proposal in a resolution and shall publish notice of the time and the place of the public hearing on the resolution. The notice shall also describe the property. A locally known address for real property may be substituted for a legal description of real property contained in the resolution. Notice of the time and place of the public hearing shall be published at least once not less than ten days but not more than twenty days prior to the date of the hearing in a newspaper of general circulation in the district. After the public hearing, the board may make a final determination on the proposal contained in the resolution". However, property having a value of not more than five thousand dollars, other than real property, may be disposed of by any procedure which is adopted by the board and each sale shall be published by at least one insertion each week for two consecutive weeks in a newspaper having general circulation in the district. The District should review procedures for disposal of property and make necessary changes to comply with Chapter 297.22 of the Code of Iowa.

Response - The district will comply with the Code of Iowa Section 297.22 when disposing of property.

Conclusion - Response accepted.

II-P-14 Operational Sharing - During our audit we noted that the District's operational sharing was understated by 5.0.

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

Response - The District has contacted the Iowa Department of Education to resolve this matter.

Conclusion - Response accepted.

II-Q-14 Interfund Loans - During our audit we noted the necessity for adjustments to interfund loan balances as a result of transactions recorded in incorrect funds:

Capital Projects: Property Plant and Equipment Fund - We noted that two new bus engines and a rear end were purchased from the Capital Projects: Property Plant and Equipment Fund. Replacing bus engines and rear ends are repairs of transportation equipment, and bus engines and rear ends are repair parts. While this fund allows for purchases of equipment used to transport students, Iowa Code 298.3 does not specifically allow for repairs to transportation equipment. Under Dillon's Rule these repairs are not allowable from Capital Projects Funds.

Adjustments to interfund payables/receivables from the General Fund to the Capital Projects: Property Plant and Equipment Levy Fund for \$14,806 have been shown on the financial statements.

Recommendation - The District needs to have the Board of Directors approve the repayment of \$14,806 from the General Fund to the Capital Projects: Physical Plant and Equipment Levy Fund as a correction for the unallowable transportation repairs. The District should review Chapter 298.3 of the Code of Iowa for allowable expenditures from the Capital Projects: Property Plant and Equipment Levy and Capital Projects: Statewide Sales, Services and Use Tax Funds.

Response - Based on the District's legal counsel's opinion that a bus engine and rear end are equipment necessary for the operation of a school bus it qualifies the purchase of these items as meeting the Iowa Code requirement of "purchase of transportation equipment" thus allowing the District to use Capital Projects: Property Plant and Equipment Levy Fund dollars for these expenditures.

Conclusion - Response acknowledged. The Iowa Department of Education has issued guidance specifically stating that bus engines and parts are not an allowable expenditure from the Capital Projects: Property Plant and Equipment Levy Fund. As the cognizant agent for schools interpreting Iowa Code, rulings or opinions from the Iowa Department of Education, once given, have the effect of law on school corporations.