

**WEST HANCOCK COMMUNITY SCHOOL DISTRICT
BRITT, IOWA**

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

YEAR ENDED JUNE 30, 2014

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**West Hancock Community School District
Britt, Iowa**

Officials

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

(Before September 2013 Election)

Jay Burgardt	President	2013
Paul Kumsher	Vice President	2015
Jill Carlson	Board Member	2015
Gary Chizek	Board Member	2013
Murray Quastad	Board Member	2013
Ryan Johnson	Board Member	2015
Leah Deutsch	Board Member	2015

(After September 2013 Election)

Jay Burgardt	President	2017
Paul Kumsher	Vice President	2015
Jill Carlson	Board Member	2015
Gary Chizek	Board Member	2017
Murray Quastad	Board Member	2017
Ryan Johnson	Board Member	2015
Leah Deutsch	Board Member	2015

School Officials

Wayne Kronemann	Superintendent	Indefinite
Mona Buns	District Secretary/Treasurer and Business Manager	Indefinite
Rick Engel	Attorney	Indefinite

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Fort Dodge, IA 50501-7098
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Jerilyn J. Maher, C.P.A.
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Independent Auditor's Report

To the Board of Education of
West Hancock 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 West Hancock Community School District, Britt, 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 West Hancock 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 5 through 15 and 46 through 49 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 West Hancock 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 three years ended June 30, 2013 and the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2009

(which is not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2015 on our consideration of West Hancock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering West Hancock Community School District's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 10, 2015

Management Discussion and Analysis

The West Hancock 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.

Financial Highlights

General Fund revenues for fiscal 2014 were \$6,369,064 while General Fund expenditures were \$6,231,032; this resulted in an increase in the District's General Fund balance from \$2,124,479 in fiscal 2013 to \$2,262,511 in fiscal 2013, or a \$138,032 increase from the prior year.

The increase in General Fund balance was attributable to the reduction in a couple of our high cost special education students and the use of alternate funding sources.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

The first two statements are government-wide financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.

The statements for *governmental funds* explain how basic services, such as regular and special education were financed in the *short term* as well as what remains for future spending.

The statement for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Figure A-1

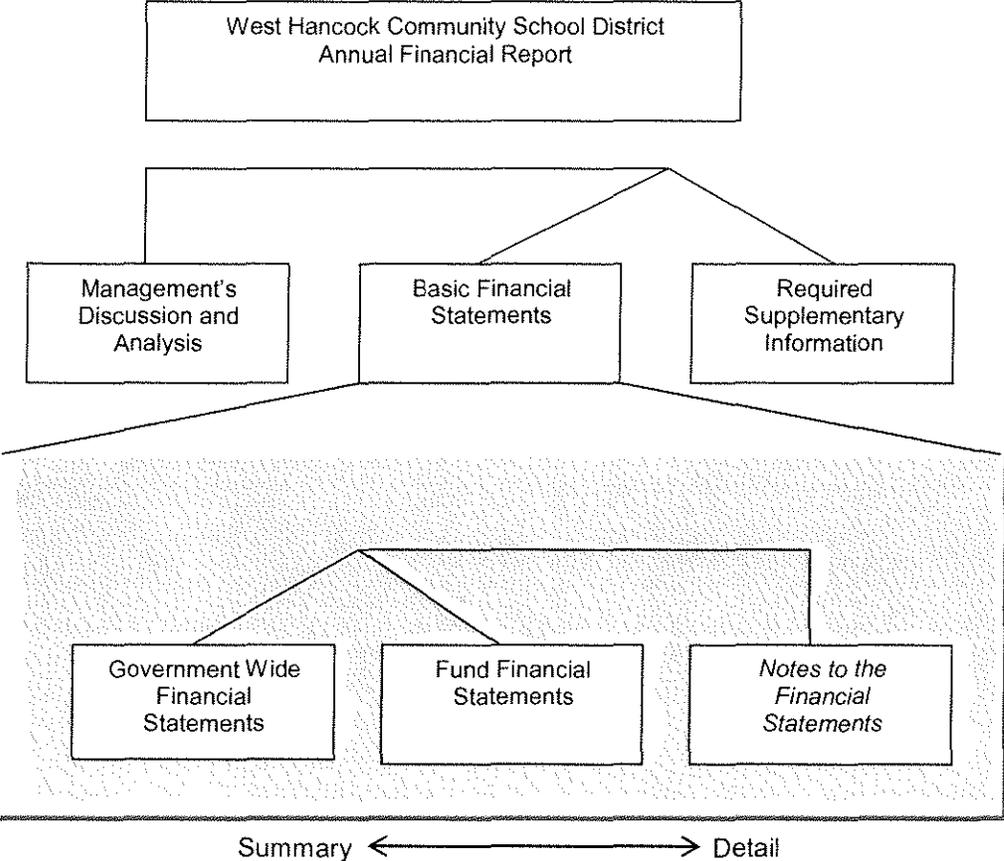


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2:
Major Features of the Government Wide and Fund Financial Statements**

	Government-wide Statements	Fund Financial 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 is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of cash flows Statement of revenues, expenses and changes in net assets	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 and payable	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

Government-wide Financial Statements

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

The two government-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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 taxes and state aid finance most of these activities.

Business type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

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

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 statements.

- The District's *enterprise funds* (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Financial Analysis of the District as a Whole

Net assets. - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2014, compared to June 30, 2013.

Figure A-3

Condensed Statement of Net Assets (in millions of dollars) June 30, 2014

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	2013	2014	2013	2014	2013	2014
Current and other assets	7.282	7.068	.051	.057	7.333	7.125
Capital assets	9.681	9.438	.037	.033	9.718	9.471
Total assets	16.963	16.506	.088	.090	17.051	16.596
Long-term debt outstanding	6.023	5.434	.008	.009	6.031	5.443
Other liabilities	.185	.202	.007	.005	3.282	.207
Total liabilities	6.208	5.636	.015	.014	6.223	5.650
Deferred Inflows of Resources	3.090	2.917	---	---	3.090	2.917
Net assets						
Invested in capital assets, net of related debt	3.828	4.230	.037	.033	3.865	4.263
Restricted	1.363	1.225	-	-	1.363	1.225
Unrestricted	2.474	2.498	.036	.043	2.510	2.541
Total net assets	7.665	7.953	.073	.076	7.738	8.029

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2014.

Figure A-4
Changes in Net Assets from Operating Results (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School District	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Revenues						
Program revenues						
Charges for services	.287	.257	.120	.114	.407	.371
Operating Grants & Contributions	1.324	1.356	.185	.186	1.509	1.542
Capital Grants & Contributions	.001	.011	-	-	.001	.011
General revenues						
Property Taxes & Other Local Taxes	3.833	3.846	-	-	3.833	3.846
Unrestricted State Aid	2.268	2.159	-	-	2.268	2.159
Other	.074	.067	-	-	.074	.067
Total revenues	7.787	7.696	.305	.300	8.092	7.996
Expenses						
Instruction	4.445	4.602	-	-	4.445	4.602
Support Services	1.880	2.006	-	-	1.880	2.006
Non-instructional programs	.000	.000	.355	.296	.355	.296
Other	.814	.800	-	-	.814	.800
Total expenses	7.139	7.408	.355	.296	7.494	7.704
Increase (decrease) in net assets	.648	.288	(.050)	.004	.598	.292

Property tax, income surtax, sales taxes and state foundation aid account for 75 percent of the total revenue. The District's expenses primarily relate to instruction and support services that account for 86 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,695,932 and expenses were \$7,408,381. This resulted in an increased budget balance.

Figure A-5 The following graph presents the total Revenue for the District's major governmental activities: state aid, federal and state grants, property taxes, charges for services and other incomes.

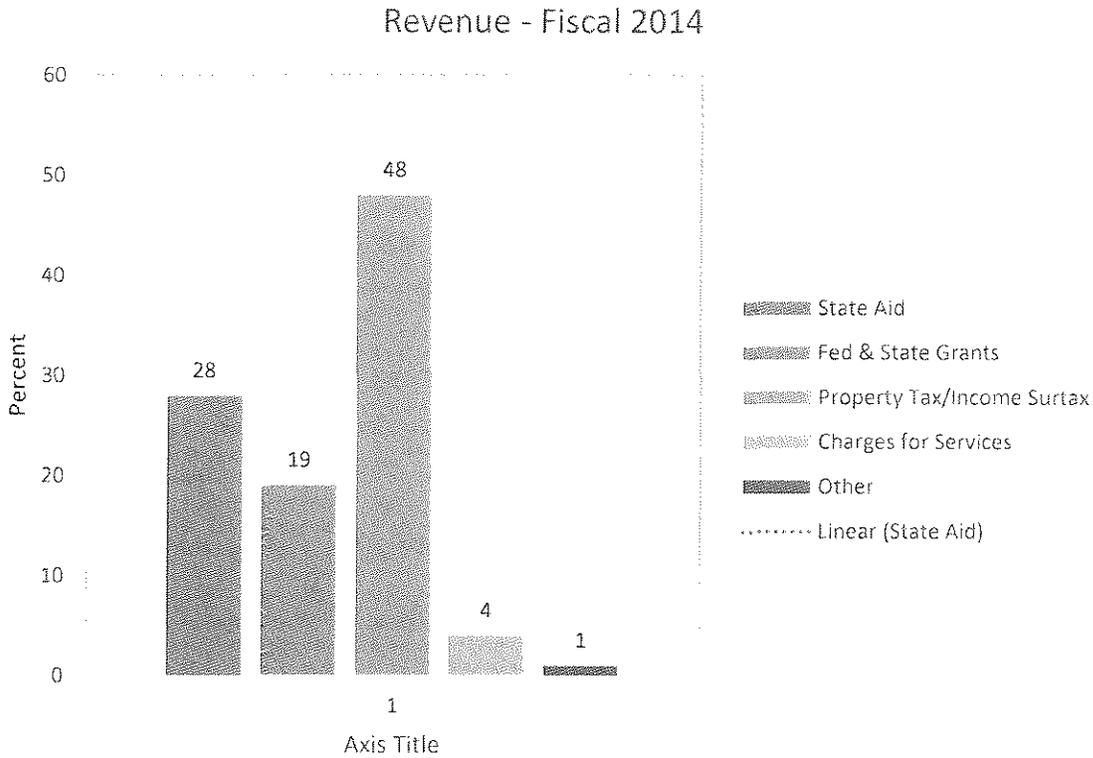


Figure A-6 The following graph presents the total Expenditures for the District's major governmental activities: instruction, student & instructional services, administration & business operations & maintenance, transportation and AEA flow thru.

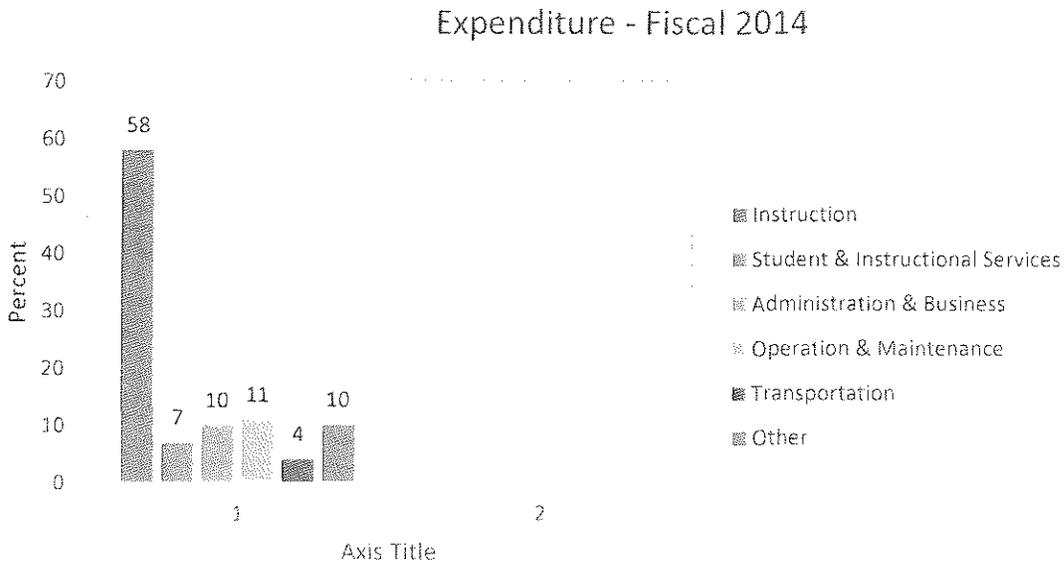


Figure A-7 presents the cost of six major district activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7
Net Cost of Governmental Activities (in millions of dollars)

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
Instruction	\$4.602	\$ 3.245
Pupil & Instructional Services	.228	.228
Administrative & Business	.675	.675
Maintenance & operations	.675	.664
Transportation	.428	.421
Other	.800	.552
Total	\$ 7.408	\$ 5.785

The cost of all governmental activities this year was \$7,408,381

Some of the cost was financed by the users of the District's programs in the amount of \$256,833

The federal and state governments subsidized certain programs with grants and contributions \$1,366,848

Most of the District's costs were financed by District and state taxpayers.

This portion of governmental activities was financed with \$2,887,994 million in property taxes, \$390,572 of income surtax, \$445,236 of sales tax and \$2,159,112 of unrestricted state aid based on the statewide finance formula, and investment earnings.

Business Type Activities

Revenues from the District's business-type activities included charges for services in the amount of \$113,616 and \$186,157 from operating grants, contributions and restricted interest. Expenses from the District's business type activities amounted to \$296,117. The Hot Lunch program was the only Business Type Activity for the District during the 2014 school year.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,720,746 which is \$72,131 below last year's ending fund balances of \$3,792,877. The main reason this decreased is due to decreased valuations.

Governmental Fund Highlights

The General Fund balance increased from \$2,124,479 to \$2,262,511 which was stable.

The Debt Service Fund balance decreased \$44,754, which was fairly stable.

The Capital projects fund increased \$40,309, which was fairly stable.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$72,701 at June 30, 2013 to \$76,419 June 30, 2014, which was stable.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is the aggregated functional level, not at the fund or fund type level. The budget did not get amended during the year to fully account for the repayment of the refunding bond payoff. A schedule showing the original budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$169,028 less than that budgeted receipts, which is a 2.1% variance.

Capital Asset and Debt Administration

Capital Assets

By the end of 2013 the District had invested \$9.5 million, in a broad range of assets, including school buildings, school infrastructure, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-8) **(More detailed information about capital assets can be found in Note 4 to the financial statements.)** Total depreciation expense for the year exceeded \$500,000.

Figure A-8 Capital Assets (net of depreciation, (in millions of dollars))			
	Governmental Activities <u>2014</u>	Business Type Activities <u>2014</u>	Total School District <u>2014</u>
Land	0.162	0	0.162
Construction in progress	0.000	0	0.000
Buildings	8.563	0	8.563
Improvements	.137	0	.137
Equipment & Furniture	0.576	.034	0.610
	9.438	.034	9.472

Long-Term Debt

At year-end, the District had \$5,465,475 in general obligation bonds and other long-term debt outstanding. This represents a decrease of 9.8% over the previous fiscal year as can be seen in Figure A-9 below.

Figure A-9
Outstanding Long-Term Debt (in millions of dollars)

	Total School District		Total Percentage Change
	<u>2014</u>	<u>2013</u>	<u>2013-14</u>
General Obligation bonds & notes (financed with property tax)	5.240	5.888	-11.01
Other general obligation debt	.225	.171	31.58
Total	5.465	6.059	-9.80

Factors Bearing on the District’s Future

The following factors will have some impact on the district’s financial future.

The district must expect and plan for a continued enrollment decline of approximately 5% over the next five years.

1. This was an unusual year of increased enrollment.
2. Small surrounding districts that may have to whole grade share or dissolve.
3. The number of farms in Hancock County continues to decline
4. Few new houses have been built in Britt or Kanawha in the past few years.

Future state funding will be a major factor in the district’s future State and Federal unfunded mandates.

The degree to which the district will commit itself to effectively manage the fiscal matters of the district.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customers, and 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, Mona Buns, Board Secretary/Business Manager, West Hancock Community School District, 510 9th Ave. SW., Britt, Iowa 50423

Basic Financial Statements

West Hancock Community School District
 Britt, Iowa
 Statement of Net Position
 June 30, 2014

Exhibit A

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets			
Cash, cash equivalents and pooled investments	\$ 3,688,352	51,317	3,739,669
Receivables:			
Property tax:			
Delinquent	27,658	-	27,658
Succeeding year	2,917,312	-	2,917,312
Accounts	3,528	107	3,635
Accrued interest	2,239	-	2,239
Due from other funds	339	(339)	-
Due from other governments	428,997	339	429,336
Inventories	-	5,511	5,511
Capital assets, net of accumulated depreciation	9,438,036	33,586	9,471,622
Total assets	16,506,461	90,521	16,596,982
 Liabilities			
Accounts payable	132,571	135	132,706
Salaries and benefits payable	5,565	-	5,565
Accrued interest payable	63,827	-	63,827
Advances from grantors	339	5,057	5,396
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	510,000	-	510,000
Revenue bonds	100,000	-	100,000
Notes	-	-	-
Compensated absences	11,631	-	11,631
Portion due after one year:			
General obligation bonds (net of \$18,397 unamortized discount)	2,406,603	-	2,406,603
Revenue bonds (net of \$13,068 unamortized discount)	2,191,932	-	2,191,932
Net OPEB Liability	213,844	8,910	222,754
Total liabilities	5,636,312	14,102	5,650,414
 Deferred Inflows of Resources			
Unavailable property tax revenue	2,917,312	-	2,917,312

West Hancock Community School District
 Britt, Iowa
 Statement of Net Position
 June 30, 2014

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net position			
Net investment in capital assets	4,229,501	33,586	4,263,087
Restricted for:			
Categorical funding	361,407	-	361,407
Management levy	406,210	-	406,210
Physical plant and equipment levy	116,455	-	116,455
Other special revenue purposes	122,800	-	122,800
Debt service	218,170	-	218,170
Unrestricted	<u>2,498,294</u>	<u>42,833</u>	<u>2,541,127</u>
Total net position	<u>\$ 7,952,837</u>	<u>76,419</u>	<u>8,029,256</u>

See notes to financial statements.

West Hancock Community School District
 Britt, Iowa
 Statement of Activities
 Year ended June 30, 2014

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<u>Functions/Programs:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,951,714	22,009	630,373	-
Special instruction	581,647	-	194,449	-
Other instruction	<u>1,068,606</u>	<u>234,403</u>	<u>276,034</u>	<u>-</u>
	<u>4,601,967</u>	<u>256,412</u>	<u>1,100,856</u>	<u>-</u>
Support services:				
Student	73,206	-	295	-
Instructional staff	154,726	-	-	-
Administration	675,023	-	-	-
Operation and maintenance of plant	674,740	421	-	10,813
Transportation	<u>428,226</u>	<u>-</u>	<u>6,753</u>	<u>-</u>
	<u>2,005,921</u>	<u>421</u>	<u>7,048</u>	<u>10,813</u>
Other expenditures:				
Facilities acquisition	27,232	-	-	-
Long-term debt interest	181,358	-	-	-
AEA flowthrough	248,131	-	248,131	-
Depreciation (unallocated)*	<u>343,772</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>800,493</u>	<u>-</u>	<u>248,131</u>	<u>-</u>
Total governmental activities	7,408,381	256,833	1,356,035	10,813
Business type activities:				
Non-instructional programs:				
Food service operations	<u>296,117</u>	<u>113,616</u>	<u>186,157</u>	<u>-</u>
Total	<u>\$ 7,704,498</u>	<u>370,449</u>	<u>1,542,192</u>	<u>10,813</u>

General Revenues:

Property tax levied for:
General purposes
Debt service
Capital outlay
Statewide sales, service and use tax
Income surtaxes
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues
Change in net position
Net position beginning of year
Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business Type Activities	Total
(2,299,332)	-	(2,299,332)
(387,198)	-	(387,198)
(558,169)	-	(558,169)
<u>(3,244,699)</u>	<u>-</u>	<u>(3,244,699)</u>
(72,911)	-	(72,911)
(154,726)	-	(154,726)
(675,023)	-	(675,023)
(663,506)	-	(663,506)
(421,473)	-	(421,473)
<u>(1,987,639)</u>	<u>-</u>	<u>(1,987,639)</u>
(27,232)	-	(27,232)
(181,358)	-	(181,358)
-	-	-
<u>(343,772)</u>	<u>-</u>	<u>(343,772)</u>
<u>(552,362)</u>	<u>-</u>	<u>(552,362)</u>
(5,784,700)	-	(5,784,700)
<u>-</u>	<u>3,656</u>	<u>3,656</u>
<u>(5,784,700)</u>	<u>3,656</u>	<u>(5,781,044)</u>
\$ 2,414,433	-	2,414,433
473,561	-	473,561
122,526	-	122,526
445,236	-	445,236
390,572	-	390,572
2,159,112	-	2,159,112
14,565	62	14,627
52,248	-	52,248
<u>6,072,253</u>	<u>62</u>	<u>6,072,315</u>
287,553	3,718	291,271
<u>7,665,284</u>	<u>72,701</u>	<u>7,737,985</u>
<u>\$ 7,952,837</u>	<u>76,419</u>	<u>8,029,256</u>

West Hancock Community School District
Britt, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$ 2,267,865	172,113	714,231	534,143	3,688,352
Receivables:					
Property tax:					
Delinquent	21,946	4,355	800	557	27,658
Succeeding year	2,120,608	621,975	88,518	86,211	2,917,312
Accounts	1,250	-	-	2,278	3,528
Accrued interest	2,239	-	-	-	2,239
Due from other funds	10,139	-	-	-	10,139
Due from other governments	381,471	-	47,526	-	428,997
Total assets	<u>\$ 4,805,518</u>	<u>798,443</u>	<u>851,075</u>	<u>623,189</u>	<u>7,078,225</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 124,603	-	-	7,968	132,571
Salaries and benefits payable	5,565	-	-	-	5,565
Advances from grantors	339	-	-	-	339
Due to other funds	-	-	9,800	-	9,800
Total liabilities	<u>130,507</u>	<u>-</u>	<u>9,800</u>	<u>7,968</u>	<u>148,275</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,120,608	621,975	88,518	86,211	2,917,312
Income surtax	291,892	-	-	-	291,892
Total deferred inflows of resources	<u>2,412,500</u>	<u>621,975</u>	<u>88,518</u>	<u>86,211</u>	<u>3,209,204</u>
Fund balances:					
Restricted for:					
Categorical funding	361,407	-	-	-	361,407
Debt service	-	176,468	218,170	-	394,638
School infrastructure	-	-	418,132	-	418,132
Physical plant and equipment	-	-	116,455	-	116,455
Student activities	-	-	-	85,308	85,308
Recreation levy purposes	-	-	-	37,492	37,492
Management levy purposes	-	-	-	406,210	406,210
Unassigned	1,901,104	-	-	-	1,901,104
Total fund balances	<u>2,262,511</u>	<u>176,468</u>	<u>752,757</u>	<u>529,010</u>	<u>3,720,746</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,805,518</u>	<u>798,443</u>	<u>851,075</u>	<u>623,189</u>	<u>7,078,225</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2014

Total fund balances of governmental funds (page 20) \$ 3,720,746

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

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported as assets in the governmental funds. 9,438,036

Other long-term assets are not available to pay current period expenditures
and, therefore, are recognized as deferred inflows of resources in the
governmental funds. 291,892

Accrued interest payable on long-term liabilities is not due and payable in the
current period and, therefore, is not reported as a liability in the governmental
funds. (63,827)

Long-term liabilities, including bonds and notes payable, compensated absences
and other post employment benefits payable, are not due and payable in the current
period and, therefore, are not reported in the governmental funds. (5,434,010)

Net position of governmental activities (page 17) \$ 7,952,837

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,764,715	473,347	86,914	60,585	3,385,561
Tuition	332,134	-	-	-	332,134
Other	88,123	423	1,832	236,318	326,696
State sources	2,969,701	214	445,275	27	3,415,217
Federal sources	214,391	-	10,813	-	225,204
Total revenues	<u>6,369,064</u>	<u>473,984</u>	<u>544,834</u>	<u>296,930</u>	<u>7,684,812</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,864,062	-	-	-	2,864,062
Special	575,464	-	-	-	575,464
Other	842,680	-	-	251,725	1,094,405
	<u>4,282,206</u>	<u>-</u>	<u>-</u>	<u>251,725</u>	<u>4,533,931</u>
Support services:					
Student	66,050	-	-	-	66,050
Instructional staff	154,006	-	-	-	154,006
Administration	640,751	-	-	23,808	664,559
Operation and maintenance of plant	575,576	-	-	180,686	756,262
Transportation	264,312	-	81,727	16,500	362,539
	<u>1,700,695</u>	<u>-</u>	<u>81,727</u>	<u>220,994</u>	<u>2,003,416</u>
Other expenditures:					
Facilities acquisition	-	-	114,139	2,680	116,819
Community services	-	-	-	27,249	27,249
Long-term debt:					
Principal	-	648,091	-	-	648,091
Interest and fiscal charges	-	179,306	-	-	179,306
AEA flowthrough	248,131	-	-	-	248,131
	<u>248,131</u>	<u>827,397</u>	<u>114,139</u>	<u>29,929</u>	<u>1,219,596</u>
Total expenditures	<u>6,231,032</u>	<u>827,397</u>	<u>195,866</u>	<u>502,648</u>	<u>7,756,943</u>
Excess (deficiency) of revenues over (under) expenditures	<u>138,032</u>	<u>(353,413)</u>	<u>348,968</u>	<u>(205,718)</u>	<u>(72,131)</u>
Other financing sources (uses):					
Operating transfers in	-	308,659	-	-	308,659
Operating transfers out	-	-	(308,659)	-	(308,659)
Total other financing sources (uses)	<u>-</u>	<u>308,659</u>	<u>(308,659)</u>	<u>-</u>	<u>-</u>
Change in fund balances	138,032	(44,754)	40,309	(205,718)	(72,131)
Fund balances beginning of year	<u>2,124,479</u>	<u>221,222</u>	<u>712,448</u>	<u>734,728</u>	<u>3,792,877</u>
Fund balances end of year	<u>\$ 2,262,511</u>	<u>176,468</u>	<u>752,757</u>	<u>529,010</u>	<u>3,720,746</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2014

Net change in fund balances - total governmental funds (page 22) \$ (72,131)

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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 300,728	
Depreciation expense	<u>(543,272)</u>	(242,544)

Income surtaxes and other receivables not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 11,122

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 repayments exceeded issues, as follows

Repaid	648,091	
Amortize bond discount costs	<u>(4,043)</u>	644,048

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. 1,991

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:

Compensated absences	(2,275)	
Other postemployment benefits	<u>(52,658)</u>	<u>(54,933)</u>

Change in net position of governmental activities (page 19) \$ 287,553

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2014

	<u>School Nutrition</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 51,317
Inventories	5,511
Due from other governments	339
Accounts	107
Total current assets	<u>57,274</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>33,586</u>
Total noncurrent assets	<u>33,586</u>
Total assets	<u>90,860</u>
Liabilities	
Current liabilities:	
Accounts payable	135
Unearned Revenue	5,057
Due to other funds	339
Total current liabilities	<u>5,531</u>
Noncurrent liabilities:	
Net OPEB liability	<u>8,910</u>
Total noncurrent liabilities	<u>8,910</u>
Total liabilities	<u>14,441</u>
Net Position	
Invested in capital assets	33,586
Unrestricted	<u>42,833</u>
Total net position	<u>\$ 76,419</u>

West Hancock Community School District
Britt, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2014

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>113,616</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	133,408
Purchased services	2,019
Supplies	154,878
Depreciation	<u>5,812</u>
Total operating expenses	<u>296,117</u>
Operating loss	<u>(182,501)</u>
Non-operating revenues:	
State sources	2,955
Federal sources	183,202
Interest income	<u>62</u>
Total non-operating revenues	<u>186,219</u>
Increase in net position	3,718
Net position beginning of year	<u>72,701</u>
Net position end of year	<u>\$ 76,419</u>

See notes to financial statements.

West Hancock Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 120,379
Cash paid to employees for services	(132,715)
Cash paid to suppliers for goods or services	<u>(129,010)</u>
Net cash used by operating activities	<u>(141,346)</u>
Cash flows from non-capital financing activities:	
State grants received	2,955
Federal grants received	<u>157,129</u>
Net cash provided by non-capital financing activities	<u>160,084</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,988)</u>
Net cash used by capital and related financing activities	<u>(1,988)</u>
Cash flows from investing activities:	
Interest on investments	<u>62</u>
Net decrease in cash and cash equivalents	16,812
Cash and cash equivalents beginning of year	<u>34,505</u>
Cash and cash equivalents end of year	<u>\$ 51,317</u>

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (182,501)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	26,073
Depreciation	5,812
Decrease in inventories	1,627
Increase in accounts receivable	8,603
(Decrease) in accounts payable	(141)
Increase in Net OPEB liability	1,023
(Decrease) in deferred revenue	<u>(1,842)</u>
 Net cash used by operating activities	 <u>\$ (141,346)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$26,073 of federal commodities.

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

West Hancock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Britt and Kanawha, Iowa, and the predominately agricultural territory in a portion of Hancock and Wright 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, West Hancock 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 to 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. West Hancock 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hancock and Wright County Assessor's Conference boards.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

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 attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

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

Cash, Cash Equivalents and Pooled Investments – 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, have a maturity date no longer than three months.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

Property Tax Receivable – Property tax in governmental funds is 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 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Furniture and equipment	5-15

Salaries and Benefits Payable – Payroll and related expenditures for hourly employees with hours worked in June have been accrued as liabilities.

West Hancock Community School District

Britt, Iowa

Notes to Financial Statements

June 30, 2014

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year

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

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

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 represents 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 receivable and other receivables not collected within sixty days after year end.

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

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks 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 \$423,344 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

(3) 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	<u>\$ 308,659</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 134,986	27,250	-	162,236
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>134,986</u>	<u>27,250</u>	<u>-</u>	<u>162,236</u>
Capital assets being depreciated:				
Buildings	12,964,133	71,231	-	13,035,364
Improvements other than buildings	427,574	-	-	427,574
Furniture and equipment	2,294,704	202,247	-	2,496,951
Total capital assets being depreciated	<u>15,686,411</u>	<u>273,478</u>	<u>-</u>	<u>15,959,889</u>
Less accumulated depreciation for:				
Buildings	4,147,203	325,185	-	4,472,388
Improvements other than buildings	272,616	18,260	-	290,876
Furniture and equipment	1,720,998	199,827	-	1,920,825
Total accumulated depreciation	<u>6,140,817</u>	<u>543,272</u>	<u>-</u>	<u>6,684,089</u>
Total capital assets being depreciated, net	<u>9,545,594</u>	<u>(269,794)</u>	<u>-</u>	<u>9,275,800</u>
Governmental activities capital assets, net	<u>\$ 9,680,580</u>	<u>(242,544)</u>	<u>-</u>	<u>9,438,036</u>

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

Business type activities:	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Furniture and equipment	\$ 152,869	3,579	-	156,448
Less accumulated depreciation	<u>117,051</u>	<u>5,812</u>	-	<u>122,863</u>
Business type activities capital assets, net	<u>\$ 35,818</u>	<u>(2,233)</u>	-	<u>33,585</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular

\$ 122,339

Support Services:

Student Support

5,952

Administration

1,224

Operation and maintenance of plant

5,774

Transportation

64,211

Unallocated

343,772

Total depreciation expense - governmental activities

\$ 543,272

Business type activities:

Food service operations

\$ 5,812

5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year		Due Within One Year
Governmental activities:						
General obligation						
refunding bonds	3,440,000	-	505,000	2,935,000	(1)	510,000
Revenue bonds	2,405,000	-	100,000	2,305,000	(2)	100,000
Notes payable	43,091	-	43,091	-		-
Compensated absences	9,356	11,631	9,356	11,631		11,631
Net OPEB liability	<u>161,186</u>	<u>52,658</u>	<u>-</u>	<u>213,844</u>		<u>-</u>
Total	<u>\$ 6,058,633</u>	<u>64,289</u>	<u>657,447</u>	<u>5,465,475</u>		<u>621,631</u>

(1) Bonds were sold at a discount; unamortized discount at June 30, 2014 totaled \$18,397.

(2) Bonds were sold at a discount; unamortized discount at June 30, 2014 totaled \$13,068.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$7,887	1,023	-	8,910	-
Total	\$7,887	1,023	-	8,910	-

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue May 4, 2011			
	Interest Rates	Principal	Interest	Total
2015	1.45	\$ 510,000	61,475	571,475
2016	1.80	520,000	54,080	574,080
2017	2.05	530,000	44,720	574,720
2018	2.30	540,000	33,855	573,855
2019	2.50	555,000	21,435	576,435
2020	2.70	280,000	7,560	287,560
Total		\$ 2,935,000	223,125	3,158,125

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30.	Bond Issue of Dec 1, 2009			
	Interest Rates	Principal	Interest	Total
2015	4.00%	\$ 100,000	105,162	205,162
2016	4.00	105,000	101,063	206,063
2017	4.00	105,000	96,863	201,863
2018	4.50	110,000	92,288	202,288
2019	4.50	115,000	87,225	202,225
2020-2024	4.50-4.75	685,000	348,862	1,033,862
2025-2029	4.75-5.00	880,000	164,931	1,044,931
2030	5.00	205,000	5,125	210,125
Total		\$ 2,305,000	1,001,519	3,306,519

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,705,000 of bonds issued in December 2009. The bonds were issued for the purpose of financing a school infrastructure improvement project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,306,519. For the current year, principal and interest paid and total statewide sales, services and use tax revenues were \$209,163 and \$445,236, respectively.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

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

- a) \$218,163 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the Statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds fore the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$316,296, \$338,662, and \$275,309, respectively, equal to the required contributions for each year.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 82 active and 11 retired members in the plan. 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	\$ 75,925
Interest on net OPEB obligation	4,227
Adjustment to annual required contribution	<u>(14,351)</u>
Annual OPEB cost	65,801
Contributions made	<u>(12,120)</u>
Increase in net OPEB obligation	53,681
Net OPEB obligation beginning of year	<u>169,073</u>
Net OPEB obligation end of year	<u>\$ 222,754</u>

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the 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 \$12,120 to the medical plan. Plan members eligible for the benefits contributed \$50,649 or 65% of the premium costs.

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 45,628	6.8%	\$ 115,604
2013	53,469	21.1	169,073
2014	53,681	18.4	222,754

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 \$439,764 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$439,764. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,369,650 and the ratio of the UAAL to covered payroll was 18.6%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

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 unit credit actuarial cost 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 and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$667 per month for retirees less than age 65 and \$667 per month for retirees who have attained age 65. The UAAL is being amortized as a level dollar funding over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$248,131 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2014

(10) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 25,788
Teacher Leadership	6,284
Preschool program	11,338
Homeschool assistance program	1,770
Professional development – core curriculum	6,409
Professional development	9,389
Dropout prevention	226,887
Limited English proficient	52,133
Early Literacy	14,904
Market factor funds	<u>6,505</u>
Total	<u>\$ 361,407</u>

(11) Subsequent Events

Subsequent events have been evaluated through, March 10, 2014, which is the date the financial statements were available to be issued.

(12) 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 disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

West Hancock Community School District

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 4,044,391	113,678
State sources	3,415,217	2,955
Federal sources	<u>225,204</u>	<u>183,202</u>
Total revenues	<u>7,684,812</u>	<u>299,835</u>
Expenditures/Expenses:		
Instruction	4,533,931	-
Support services	2,003,416	-
Non-instructional programs	-	296,117
Other expenditures	<u>1,219,596</u>	<u>-</u>
Total expenditures/expenses	<u>7,756,943</u>	<u>296,117</u>
Excess (deficiency) of revenues over (under) expenditures	(72,131)	3,718
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(72,131)	3,718
Balances beginning of year	<u>3,792,877</u>	<u>72,701</u>
Balances end of year	<u>\$ 3,720,746</u>	<u>76,419</u>

See accompanying independent auditor's report.

<u>Total</u> <u>Actual</u>	<u>Budgeted</u> <u>Amounts</u> <u>Original & Final</u>	<u>Final to</u> <u>Actual</u> <u>Variance</u>
4,158,069	4,875,176	(717,107)
3,418,172	2,853,499	564,673
<u>408,406</u>	<u>425,000</u>	<u>(16,594)</u>
<u>7,984,647</u>	<u>8,153,675</u>	<u>(169,028)</u>
4,533,931	5,550,000	1,016,069
2,003,416	2,652,000	648,584
296,117	407,500	111,383
<u>1,219,596</u>	<u>1,700,281</u>	<u>480,685</u>
<u>8,053,060</u>	<u>10,309,781</u>	<u>2,256,721</u>
(68,413)	(2,156,106)	2,087,693
<u>-</u>	<u>-</u>	<u>-</u>
(68,413)	(2,156,106)	2,087,693
<u>3,865,578</u>	<u>3,341,203</u>	<u>524,375</u>
<u>3,797,165</u>	<u>1,185,097</u>	<u>2,612,068</u>

West Hancock Community School District
Britt, Iowa

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 Standards 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 a GAAP basis.

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

During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted.

West Hancock Community School District

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 353,917	\$353,917	0.0%	\$ 2,636,500	13.4%
2011	July 1, 2009	-	345,130	345,130	0.0%	2,760,700	12.5%
2012	July 1, 2009	-	327,510	327,510	0.0%	2,857,800	11.5%
2013	July 1, 2012	-	457,610	457,610	0.0%	3,030,500	15.1%
2014	July 1, 2012	-	439,764	439,764	0.0%	2,369,650	18.6%

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

See accompanying independent auditor's report.

Supplementary Information

West Hancock Community School District
Britt, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue			
			Playground Equipment	
Assets	<u>Student Activity</u>	<u>Management Levy</u>	<u>Recreation Levy</u>	<u>Total</u>
Cash, cash equivalents and pooled investments	\$ 90,998	\$ 405,980	37,165	534,143
Receivables:				
Property tax:				
Delinquent	-	230	327	557
Succeeding year	-	49,999	36,212	86,211
Accounts	<u>2,278</u>	<u>-</u>	<u>-</u>	<u>2,278</u>
Total assets	<u>\$ 93,276</u>	<u>\$ 456,209</u>	<u>73,704</u>	<u>623,189</u>
Liabilities, Deferred Inflows of Resources And Fund Balances				
Liabilities:				
Accounts payable	<u>\$ 7,968</u>	<u>-</u>	<u>-</u>	<u>7,968</u>
Total liabilities	<u>7,968</u>	<u>-</u>	<u>-</u>	<u>7,968</u>
Deferred inflows of resources				
Unavailable revenues:				
Succeeding year property tax	<u>-</u>	<u>49,999</u>	<u>36,212</u>	<u>86,211</u>
Fund balances:				
Restricted for:				
Student activities	85,308	-	-	85,308
Recreation levy purposes	-	-	37,492	37,492
Management levy purposes	<u>-</u>	<u>406,210</u>	<u>-</u>	<u>406,210</u>
Total fund balances	<u>85,308</u>	<u>406,210</u>	<u>37,492</u>	<u>529,010</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 93,276</u>	<u>\$ 456,209</u>	<u>\$ 73,704</u>	<u>623,189</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue			
	Student Activity	Management Levy	Playground Equipment/ Recreation Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 25,029	35,556	60,585
Other	234,562	1,537	219	236,318
State sources	-	11	16	27
Total revenues	234,562	26,577	35,791	296,930
Expenditures:				
Current:				
Instruction:				
Regular	-	-	-	-
Other	251,725	-	-	251,725
Support services:				
Administration	-	-	23,808	23,808
Operation and maintenance of plant	-	180,686	-	180,686
Transportation	-	16,500	-	16,500
Other expenditures:				
Community services	-	-	27,249	27,249
Facilities acquisition	-	-	2,680	2,680
Total expenditures	251,725	197,186	53,737	502,648
Excess (deficiency) of revenues over expenditures	(17,163)	(170,609)	(17,946)	(205,718)
Fund balances beginning of year	102,471	576,819	55,438	734,728
Fund balances end of year	\$ 85,308	\$ 406,210	37,492	529,010

See accompanying independent auditor's report.

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Athletics	\$ 13,337	49,773	58,368	(4,219)	523
Class of 2011	(258)	-	-	258	-
Class of 2012	-	-	-	-	-
Class of 2013	5,731	-	5,284	(447)	-
Class of 2014	7,444	1,219	6,233	-	2,430
Class of 2015	-	23,716	19,635	-	4,081
FFA	4,875	13,887	13,420	-	5,342
FCCLA	179	150	-	-	329
SES	213	-	-	-	213
Student Council	4,342	2,487	1,992	-	4,837
Vocal Music	358	1,276	1,495	-	139
Cheerleaders	2,504	9,360	8,064	-	3,800
Band	1,031	436	762	-	705
Band Trip	285	-	-	-	285
Drama	3,083	2,889	2,556	-	3,416
Pep Club	504	-	-	-	504
Uniforms	13,612	10,206	17,157	-	6,661
Yearbook	(808)	6,414	4,849	-	757
Girls Basketball	-	-	-	-	-
Mat Maids	100	-	-	-	100
Wrestling	98	3,578	2,217	-	1,459
Weight Lifting	1,419	29,599	30,355	792	1,455
Weight Room	1,712	-	-	(1,712)	-
Boys Basketball	71	-	-	-	71
North Iowa Conference	4,761	5,385	2,816	-	7,330
Baseball	1,347	-	112	-	1,235
Interest	6,915	127	-	-	7,042
Bleacher Fundraiser	4,254	528	-	-	4,782
Speech	862	279	358	-	783

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Volleyball	2,681	-	421	-	2,260
Junior High Student Council	-	-	-	-	-
Business Club	204	-	-	-	204
Softball	985	-	531	-	454
Junior High Athletics	(4,219)	2,335	2,335	4,219	-
Junior High Cheerleaders	-	-	-	-	-
Junior High Interest	1,402	29	-	-	1,431
Golf Co-Ed	20	-	-	-	20
Renaissance	2,326	-	-	(2,326)	-
Junior High Student Projects	14,877	24,327	26,172	2,166	15,198
Junior High Music	(159)	347	334	159	13
Elementary Accelerated Reading	6,558	31,643	32,487	-	5,714
High School Student Projects	(189)	6,643	6,628	190	16
Football	-	7,429	7,144	1,420	1,705
ASAP	-	500	-	(500)	-
Sunshine Fund	14	-	-	-	14
Total	<u>\$ 102,471</u>	<u>234,562</u>	<u>251,725</u>	<u>-</u>	<u>85,308</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 588,776	125,455	714,231
Receivables:			
Property tax:			
Delinquent	-	800	800
Succeeding year	-	88,518	88,518
Due from other governments	<u>47,526</u>	<u>-</u>	<u>47,526</u>
Total assets	<u>\$ 636,302</u>	<u>214,773</u>	<u>851,075</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Due to other funds	<u>-</u>	<u>9,800</u>	<u>9,800</u>
Total liabilities	<u>-</u>	<u>9,800</u>	<u>9,800</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>88,518</u>	<u>88,518</u>
Fund balances:			
Restricted for:			
Debt service	218,170	-	218,170
School infrastructure	418,132	-	418,132
Physical plant and equipment	<u>-</u>	<u>116,455</u>	<u>116,455</u>
Total fund balances	<u>636,302</u>	<u>116,455</u>	<u>752,757</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 636,302</u>	<u>214,773</u>	<u>851,075</u>

West Hancock Community School District
Britt, Iowa

Schedule 5

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	86,914	86,914
Other	1,490	342	1,832
State sources	445,236	39	445,275
Federal sources	-	10,813	10,813
Total revenues	446,726	98,108	544,834
Expenditures:			
Support services:			
Operation and maintenance of plant	-	-	-
Transportation	-	81,727	81,727
Other expenditures:			
Facilities acquisition	65,811	48,328	114,139
Total expenditures	65,811	130,055	195,866
Excess (deficiency) of revenues over (under) expenditures	380,915	(31,947)	348,968
Other financing sources (uses):			
Operating transfers out	(308,659)	-	(308,659)
Change in fund balances	72,256	(31,947)	40,309
Fund balances beginning of year	564,046	148,402	712,448
Fund balances end of year	\$ 636,302	116,455	752,757

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Local sources:				
Local tax	\$ 3,385,561	3,848,606	3,597,976	3,438,226
Tuition	332,134	319,592	302,572	283,030
Other	326,696	360,457	521,723	458,126
Intermediate sources	-	-	-	-
State sources	3,415,217	3,049,301	3,082,857	2,745,614
Federal sources	225,204	225,800	371,159	313,497
Total	<u>\$ 7,684,812</u>	<u>7,803,756</u>	<u>7,876,287</u>	<u>7,238,493</u>
Expenditures:				
Instruction:				
Regular	\$ 2,864,062	2,701,814	2,820,041	2,510,670
Special	575,464	552,747	601,056	674,734
Other	1,094,405	1,130,980	1,118,259	1,157,142
Support services:				
Student	66,050	63,791	63,074	54,060
Instructional staff	154,006	230,544	172,272	130,159
Administration	664,559	584,130	644,635	546,221
Operation and maintenance of plant	756,262	670,775	719,977	622,477
Transportation	362,539	289,067	272,663	297,098
Other support	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Community services	27,249	-	5,354	20,119
Facilities acquisition	116,819	161,355	516,887	1,551,652
Long-term debt:				
Principal	648,091	681,444	4,874,164	464,237
Interest and other charges	179,306	190,620	386,858	346,669
AEA flowthrough	248,131	242,057	241,824	258,771
Total	<u>\$ 7,756,943</u>	<u>7,499,324</u>	<u>12,437,064</u>	<u>8,634,009</u>

See accompanying independent auditor's report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
3,282,467	3,188,365	3,247,797	3,498,064	3,171,524	3,124,363
202,630	297,986	244,737	342,215	247,043	150,372
366,189	488,352	442,352	264,035	423,495	355,892
-	1,748	-	-	-	-
2,293,532	2,881,183	2,697,853	2,702,514	2,819,160	2,811,629
<u>430,173</u>	<u>194,666</u>	<u>153,903</u>	<u>205,533</u>	<u>141,044</u>	<u>195,169</u>
<u>6,574,991</u>	<u>7,052,300</u>	<u>6,786,642</u>	<u>7,012,361</u>	<u>6,802,266</u>	<u>6,637,425</u>
2,419,690	2,249,274	2,128,263	2,220,720	2,137,232	2,073,955
759,839	752,191	795,804	920,024	686,697	1,053,412
1,054,860	1,067,698	992,975	594,807	651,426	342,178
50,028	46,998	42,210	71,626	87,727	113,202
136,107	134,296	103,088	102,827	135,273	100,670
520,011	523,030	541,014	522,641	526,669	622,136
602,443	679,686	673,542	645,838	682,518	698,966
269,376	363,139	269,509	244,828	273,447	301,623
-	-	-	-	-	156,634
-	12,650	-	-	139	50,296
-	-	17,028	861	-	-
649,370	229,686	124,880	365,207	386,909	364,656
346,354	341,002	320,847	307,800	291,200	273,535
231,337	243,862	256,109	266,931	275,020	284,673
<u>253,004</u>	<u>221,704</u>	<u>208,064</u>	<u>203,795</u>	<u>197,990</u>	<u>193,975</u>
<u>7,292,419</u>	<u>6,865,216</u>	<u>6,473,333</u>	<u>6,467,905</u>	<u>6,332,247</u>	<u>6,629,911</u>

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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
West Hancock Community School District:

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Hancock 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 March 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Hancock 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 West Hancock Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of West Hancock 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 material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that 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 items I-B-14 and I-C-14 to be a significant deficiencies.

Compliance and Other Matters

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

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

West Hancock Community School District's Responses to Findings

West Hancock Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. West Hancock 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 the 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 West Hancock 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 10, 2015

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

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

Response – We are doing everything we can with the limited number of staff we have.

Conclusion – Response acknowledged.

I-B-14 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to West Hancock Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

I-C-14 Disbursement Approval – For 2 of 25 disbursements tested, there was no evidence of Board approval or publication.

Recommendation – The District should ensure all expenditures are properly approved and published.

Response – We will ensure all expenditures are properly approved and published in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 did not exceed the certified budget amounts.

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

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.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- II-D-14 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations
- II-F-14 Board Minutes – As previously noted, two disbursements requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa and were not published in the newspaper.
- Recommendation – All disbursements should be approved by the Board and published.
- Response – All disbursements will be approved by the Board and procedures have been revised to ensure all disbursements will be published.
- Conclusion – Response accepted.
- II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 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 – 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 were noted.
- II-J-14 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

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

Beginning balance		\$ 564,046
Revenues:		
Sales tax revenues	\$ 445,236	
Other local revenues	1,490	446,726
		1,010,772
Expenditures/transfer out:		
School infrastructure construction	38,561	
Land purchased	27,250	
Transfer to other funds:		
Debt Service fund	308,659	374,470
Ending Balance		\$ 636,302

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.