

WEST HARRISON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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West Harrison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Elections)		
Brent Olson	President	2015
David Baxter	Vice-President	2013
Randy Wohlers	Board Member	2013
Mary Cumming	Board Member	2015
Kandy Forbes	Board Member	2013
(After September 2013 Elections)		
Brent Olson	President	2015
David Baxter	Vice-President	2017
Randy Wohlers	Board Member	2017
Mary Cumming	Board Member	2015
Jennifer Thomas	Board Member	2017
School Officials		
Joel Foster	Superintendent	2014
Jane Roden	Board Secretary/Treasurer	2014
Ahlers & Cooney, P.C.	Attorney	2014

West Harrison Community School District

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the West Harrison 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 Harrison Community School District, Mondamin, 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 Harrison Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 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 Harrison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2015, on our consideration of West Harrison Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering West Harrison Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Harrison Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,963,739 in fiscal year 2013 to \$4,812,806 in fiscal year 2014. General Fund expenditures decreased from \$5,112,844 in year fiscal year 2013 to \$4,777,283 in fiscal year 2014. The District's General Fund balance increased from \$923,985 at June 30, 2013 to \$959,508 at June 30, 2014, a 3.84% increase from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local, state and federal source revenues in fiscal year 2014. The decrease in expenditures can be attributed to a decrease in the instruction functional area expenditures during the year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of West Harrison Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Harrison Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Harrison Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the non-major funds.

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

Figure A-1
West Harrison Community School District Annual Financial Report

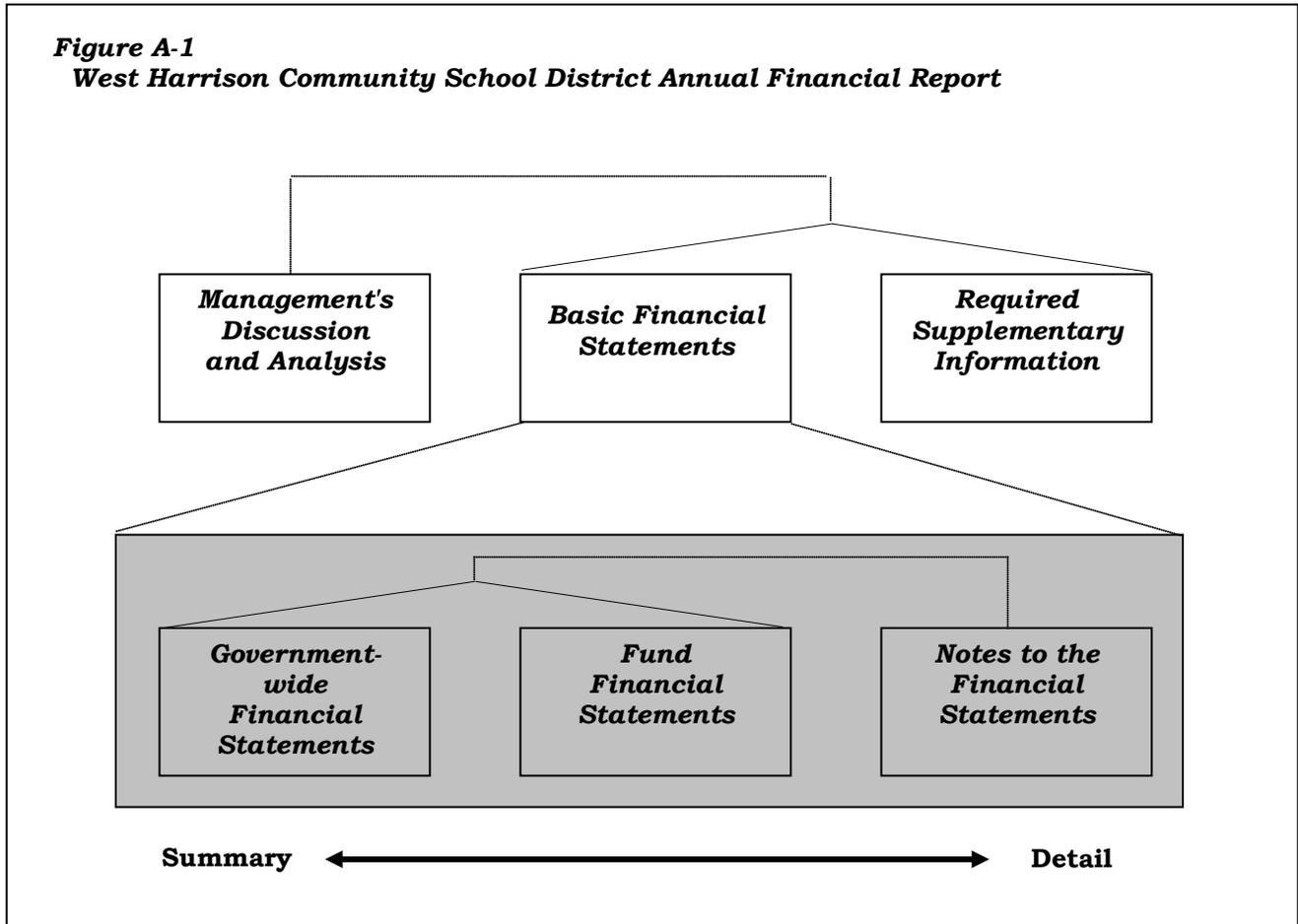


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 4,971,726	4,816,544	78,058	58,255	5,049,784	4,874,799	3.59%
Capital assets	5,581,662	5,719,776	23,390	6,824	5,605,052	5,726,600	-2.12%
Total assets	10,553,388	10,536,320	101,448	65,079	10,654,836	10,601,399	0.50%
Long-term liabilities	1,122,823	1,125,966	-	-	1,122,823	1,125,966	-0.28%
Other liabilities	443,993	494,924	13,898	3,689	457,891	498,613	-8.17%
Total liabilities	1,566,816	1,620,890	13,898	3,689	1,580,714	1,624,579	-2.70%
Deferred inflows of resources	2,472,409	2,294,673	-	-	2,472,409	2,294,673	7.75%
Net position:							
Net investment in capital assets	4,581,662	4,719,776	23,390	6,824	4,605,052	4,726,600	-2.57%
Restricted	1,099,640	955,165	-	-	1,099,640	955,165	15.13%
Unrestricted	832,861	945,816	64,160	54,566	897,021	1,000,382	-10.33%
Total net position	\$ 6,514,163	6,620,757	87,550	61,390	6,601,713	6,682,147	-1.20%

The District's combined net position decreased by 1.20%, or \$80,434, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$144,475, or 15.13% from the prior year. The increase in restricted net position is attributable to an increase in the fund balance of the Debt Service Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints, established by debt covenants, enabling legislation or other legal requirements - decreased \$103,361 or 10.33%.

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

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 267,863	263,763	109,310	109,062	377,173	372,825	1.17%
Operating grants, contributions and restricted interest	487,017	473,346	114,736	115,948	601,753	589,294	2.11%
Capital grants, contributions and restricted interest	-	45,614	-	-	-	45,614	-100.00%
General revenues:							
Property tax	2,238,471	2,629,001	-	-	2,238,471	2,629,001	-14.85%
Income surtax	128,911	227,844	-	-	128,911	227,844	-43.42%
Statewide sales, services and use tax	364,804	367,675	-	-	364,804	367,675	-0.78%
Unrestricted state grants	1,931,944	2,064,685	-	-	1,931,944	2,064,685	-6.43%
Unrestricted investment earnings	5,529	5,220	13	18	5,542	5,238	5.80%
Other	4,585	-	60	77	4,645	77	5932.47%
Total revenues	5,429,124	6,077,148	224,119	225,105	5,653,243	6,302,253	-10.30%
Program expenses:							
Instructional	3,287,924	3,559,009	-	-	3,287,924	3,559,009	-7.62%
Support services	1,865,336	1,852,638	347	-	1,865,683	1,852,638	0.70%
Non-instructional programs	-	-	217,654	216,417	217,654	216,417	0.57%
Other expenses	362,416	381,262	-	-	362,416	381,262	-4.94%
Total expenses	5,515,676	5,792,909	218,001	216,417	5,733,677	6,009,326	-4.59%
Excess(Deficiency) of revenues over(under) expenditures	(86,552)	284,239	6,118	8,688	(80,434)	292,927	-127.46%
Transfers	(20,042)	-	20,042	-	-	-	0.00%
Change in net position	(106,594)	284,239	26,160	8,688	(80,434)	292,927	-127.46%
Net position beginning of year	6,620,757	6,336,518	61,390	52,702	6,682,147	6,389,220	4.58%
Net position end of year	\$ 6,514,163	6,620,757	87,550	61,390	6,601,713	6,682,147	-1.20%

In fiscal year 2014, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants accounted for 85.91% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for nearly all of the revenue from business type activities. The District's total revenues were approximately \$5.65 million, of which approximately \$5.43 million was for governmental activities and approximately \$0.22 million was for business type activities.

As shown in Figure A-4, the district as a whole experienced a 10.30% decrease in revenues and a 4.59% decrease in expenses. The decrease in revenues is partly due to a \$390,530 decrease in property tax and the decrease in expenses is partly due to a \$271,085 decrease in instruction functional area expenses.

Governmental Activities

Revenues for governmental activities were \$5,429,124 and expenses were \$5,515,676.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 3,287,924	3,559,009	-7.62%	2,739,014	3,011,997	-9.06%
Support services	1,865,336	1,852,638	0.69%	1,841,651	1,795,024	2.60%
Other expenses	362,416	381,262	-4.94%	180,131	203,165	-11.34%
Totals	<u>\$ 5,515,676</u>	<u>5,792,909</u>	<u>-4.79%</u>	<u>4,760,796</u>	<u>5,010,186</u>	<u>-4.98%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$267,863.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$487,017.
- The net cost of governmental activities was financed with \$2,238,471 in property tax, \$128,911 in income surtax, \$364,804 in statewide sales and services and use tax, \$1,931,944 in unrestricted state grants, \$5,229 in interest income and \$4,585 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$224,119 and expenses were \$218,001. The District's business type activities include the School Nutrition and Wellness Center Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the West Harrison 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 the District completed the year, its governmental funds reported combined fund balance of \$1,958,803, above last year's ending fund balances of a \$1,816,786. The primary reason for the increase in combined fund balances at June 30, 2014 is due to increases in the Debt Service and General Funds during the year.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. The District's General Fund balance increased from \$923,985 at June 30, 2013 to \$959,508 at June 30, 2014. The primary reason for the increase in fund balance is attributable to the decrease in instruction functional area expenditures.
- The Capital Projects Fund balance increased from \$576,062 at June 30, 2013 to \$594,933 at June 30, 2014. The increase was primarily the result of the increase in the Capital Projects: Physical Plant and Equipment Levy Fund balance.

Proprietary Fund Highlights

The Nutrition Fund net position increased from \$58,148 at June 30, 2013 to \$81,260 at June 30, 2014, representing an increase of 39.75%. The increase is partly due to the result of kitchen equipment contributed by the Capital Projects: Statewide Sales, Services and Use Tax Fund. The Wellness Center Fund net position increased from \$3,242 at June 30, 2013 to \$6,290 at June 30, 2014, representing an increase of 94.02%. The increase in fund balance is due to a decrease in expenditures compared to the prior year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$8,966 more than budgeted revenues, a variance of 0.16%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$5,605,052, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.12% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$328,380.

The original cost of the District's capital assets was \$9,569,593. Governmental funds account for \$9,499,336 with the remainder of \$70,257 in the Enterprise: Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category which was \$348,803 at June 30, 2014 compared to \$452,078 at June 30, 2013. The decrease that occurred during the year is attributable to the annual depreciation expense taken during fiscal year 2014.

Figure A-6							
Capital Assets, net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 20,000	20,000	-	-	20,000	20,000	0.00%
Buildings	4,575,328	4,616,263	-	-	4,575,328	4,616,263	-0.89%
Improvements other than buildings	660,921	638,259	-	-	660,921	638,259	3.55%
Machinery and equipment	325,413	445,254	23,390	6,824	348,803	452,078	-22.84%
Total	\$ 5,581,662	5,719,776	23,390	6,824	5,605,052	5,726,600	-2.12%

Long-Term Debt

At June 30, 2014, the District had \$1,122,823 in long-term debt outstanding. This represents a decrease of 0.28% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had outstanding qualified zone academy bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$1,000,000 at June 30, 2014.
- The District had net OPEB liability attributed to governmental activities of \$122,823 at June 30, 2014.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
Qualified zone academy bonds	\$ 1,000,000	1,000,000	0.00%
Net OPEB liability	122,823	125,966	-2.50%
Totals	\$ 1,122,823	1,125,966	-0.28%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced decreased enrollment over the last several years and the District is projecting a steady decline for the next several years.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The Administration and the Board of Education will continue to reduce expenditures and explore sharing arrangements to offset the reduction of income due to declining enrollment. The District currently shares transportation director, maintenance director and superintendent through the state's operational sharing program.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane Roden, Business Manager, West Harrison Community School District, 410 Pine Street, Mondamin, Iowa, 51557.

BASIC FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,066,859	71,112	2,137,971
Receivables:			
Property tax:			
Delinquent	24,890	-	24,890
Succeeding year	2,472,409	-	2,472,409
Income surtax	96,521	-	96,521
Accounts	8,730	-	8,730
Due from other governments	302,317	-	302,317
Inventories	-	6,946	6,946
Capital assets, net of accumulated depreciation	5,581,662	23,390	5,605,052
Total assets	10,553,388	101,448	10,654,836
Liabilities			
Accounts payable	58,316	-	58,316
Salaries and benefits payable	385,677	11,396	397,073
Unearned revenue	-	2,502	2,502
Long-term liabilities:			
Portion due after one year:			
QZAB bonds payable	1,000,000	-	1,000,000
Net OPEB liability	122,823	-	122,823
Total liabilities	1,566,816	13,898	1,580,714
Deferred inflows of resources			
Unavailable property tax revenue	2,472,409	-	2,472,409
Net Position:			
Net investment in capital assets	4,581,662	23,390	4,605,052
Restricted for:			
Categorical funding	90,381	-	90,381
Management levy purposes	139,687	-	139,687
Student activities	29,208	-	29,208
Expendable trust	3,269	-	3,269
Debt service	242,162	-	242,162
School infrastructure	506,452	-	506,452
Physical plant and equipment	88,481	-	88,481
Unrestricted	832,861	64,160	897,021
Total net position	\$ 6,514,163	87,550	6,601,713

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense)Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,931,537	59,183	71,918	(1,800,436)	-	(1,800,436)
Special	655,828	86,745	83,243	(485,840)	-	(485,840)
Other	700,559	109,935	137,886	(452,738)	-	(452,738)
	<u>3,287,924</u>	<u>255,863</u>	<u>293,047</u>	<u>(2,739,014)</u>	<u>-</u>	<u>(2,739,014)</u>
Support services:						
Student	162,992	-	-	(162,992)	-	(162,992)
Instructional staff	175,623	-	-	(175,623)	-	(175,623)
Administration	500,348	12,000	11,685	(476,663)	-	(476,663)
Operation and maintenance of plant	601,834	-	-	(601,834)	-	(601,834)
Transportation	424,539	-	-	(424,539)	-	(424,539)
	<u>1,865,336</u>	<u>12,000</u>	<u>11,685</u>	<u>(1,841,651)</u>	<u>-</u>	<u>(1,841,651)</u>
Other expenditures:						
AEA flowthrough	182,285	-	182,285	-	-	-
Depreciation(unallocated)*	180,131	-	-	(180,131)	-	(180,131)
	<u>362,416</u>	<u>-</u>	<u>182,285</u>	<u>(180,131)</u>	<u>-</u>	<u>(180,131)</u>
Total governmental activities	<u>5,515,676</u>	<u>267,863</u>	<u>487,017</u>	<u>(4,760,796)</u>	<u>-</u>	<u>(4,760,796)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	347	3,395	-	-	3,048	3,048
Non-instructional programs:						
Food service operations	217,654	105,915	114,736	-	2,997	2,997
Total business type activities	<u>218,001</u>	<u>109,310</u>	<u>114,736</u>	<u>-</u>	<u>6,045</u>	<u>6,045</u>
Total	<u>\$ 5,733,677</u>	<u>377,173</u>	<u>601,753</u>	<u>(4,760,796)</u>	<u>6,045</u>	<u>(4,754,751)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 2,170,477	-	2,170,477
Debt service				435	-	435
Capital outlay				67,559	-	67,559
Income surtax				128,911	-	128,911
Statewide sales, services and use tax				364,804	-	364,804
Unrestricted state grants				1,931,944	-	1,931,944
Unrestricted investment earnings				5,529	13	5,542
Other				4,585	60	4,645
Transfers				(20,042)	20,042	-
Total general revenues and transfers				<u>4,654,202</u>	<u>20,115</u>	<u>4,674,317</u>
Change in net position				(106,594)	26,160	(80,434)
Net position beginning of year				<u>6,620,757</u>	<u>61,390</u>	<u>6,682,147</u>
Net position end of year				<u>\$ 6,514,163</u>	<u>87,550</u>	<u>6,601,713</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,272,202	396,238	398,419	2,066,859
Receivables:				
Property tax:				
Delinquent	21,911	752	2,227	24,890
Succeeding year	2,183,908	73,502	214,999	2,472,409
Income surtax	96,521	-	-	96,521
Accounts	5,014	-	3,716	8,730
Due from other governments	102,976	199,341	-	302,317
Total assets	\$ 3,682,532	669,833	619,361	4,971,726
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 56,918	1,398	-	58,316
Salaries and benefits payable	385,677	-	-	385,677
Total liabilities	442,595	1,398	-	443,993
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,183,908	73,502	214,999	2,472,409
Income surtax	96,521	-	-	96,521
Total deferred inflows of resources	2,280,429	73,502	214,999	2,568,930
Fund balances:				
Restricted for:				
Categorical funding	90,381	-	-	90,381
Management levy purposes	-	-	139,687	139,687
Student activities	-	-	29,208	29,208
Expendable trust	-	-	3,269	3,269
Debt service	-	-	242,162	242,162
School infrastructure	-	506,452	-	506,452
Physical plant and equipment	-	88,481	-	88,481
Unassigned:				
General	869,127	-	-	869,127
Student activities	-	-	(9,964)	(9,964)
Total fund balances	959,508	594,933	404,362	1,958,803
Total liabilities, deferred inflows of resources and fund balances	\$ 3,682,532	669,833	619,361	4,971,726

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 1,958,803
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	5,581,662
Accounts receivable income surtax are not yet available to finance expenditures of the current year and, therefore, are recognized as deferred inflows of resources in the governmental funds.	96,521
Long-term liabilities, including qualified zone academy bonds and other postemployment benefits, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,122,823)</u>
Net position of governmental activities(page 18)	<u><u>\$ 6,514,163</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,212,918	67,559	200,545	2,481,022
Tuition	136,887	-	-	136,887
Other	82,172	204	98,225	180,601
State sources	2,177,945	364,837	98	2,542,880
Federal sources	201,374	-	-	201,374
Total revenues	4,811,296	432,600	298,868	5,542,764
Expenditures:				
Instruction:				
Regular	1,835,227	-	57,885	1,893,112
Special	655,968	-	-	655,968
Other	588,456	-	99,094	687,550
	3,079,651	-	156,979	3,236,630
Support services:				
Student	163,102	-	-	163,102
Instructional staff	148,022	26,798	-	174,820
Administration	487,038	10,641	-	497,679
Operation and maintenance of plant	422,349	8,646	103,857	534,852
Transportation	294,836	64,665	7,912	367,413
	1,515,347	110,750	111,769	1,737,866
Capital outlay	-	245,476	-	245,476
Other expenditures:				
AEA flowthrough	182,285	-	-	182,285
Total expenditures	4,777,283	356,226	268,748	5,402,257
Excess of revenues over expenditures	34,013	76,374	30,120	140,507
Other financing sources(uses):				
Sale of equipment	1,510	-	-	1,510
Transfer in	-	-	57,503	57,503
Transfer out	-	(57,503)	-	(57,503)
Total other financing sources(uses)	1,510	(57,503)	57,503	1,510
Change in fund balances	35,523	18,871	87,623	142,017
Fund balances beginning of year	923,985	576,062	316,739	1,816,786
Fund balances end of year	\$ 959,508	594,933	404,362	1,958,803

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ 142,017

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. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Capital outlay	\$ 186,790	
Depreciation expense	<u>(324,904)</u>	(138,114)

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (113,640)

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:

Other postemployment benefits	<u>3,143</u>	
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Change in net position of governmental activities(page 19) \$ (106,594)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise Funds		
	School Nutrition	Wellness Center	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 64,822	6,290	71,112
Inventories	6,946	-	6,946
	<u>71,768</u>	<u>6,290</u>	<u>78,058</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	23,390	-	23,390
Total assets	<u>95,158</u>	<u>6,290</u>	<u>101,448</u>
Liabilities			
Salaries and benefits payable	11,396	-	11,396
Unearned revenue	2,502	-	2,502
Total liabilities	<u>13,898</u>	<u>-</u>	<u>13,898</u>
Net Position			
Net investment in capital assets	23,390	-	23,390
Unrestricted	57,870	6,290	64,160
Total net position	<u>\$ 81,260</u>	<u>6,290</u>	<u>87,550</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise Funds		
	School Nutrition	Wellness Center	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 105,915	3,395	109,310
Miscellaneous	60	-	60
Total operating revenues	<u>105,975</u>	<u>3,395</u>	<u>109,370</u>
Operating expenses:			
Support services:			
Operation and maintenance of plant:			
Supplies	-	347	347
Non-instructional programs:			
Food service operations:			
Salaries	74,796	-	74,796
Benefits	13,016	-	13,016
Supplies	126,366	-	126,366
Depreciation	3,476	-	3,476
Total operating expenses	<u>217,654</u>	<u>347</u>	<u>218,001</u>
Operating income(loss)	<u>(111,679)</u>	<u>3,048</u>	<u>(108,631)</u>
Non-operating revenues:			
State sources	1,779	-	1,779
Federal sources	112,957	-	112,957
Interest on investments	13	-	13
Total non-operating revenues	<u>114,749</u>	<u>-</u>	<u>114,749</u>
Excess of revenues over expenses	3,070	3,048	6,118
Other financing sources:			
Contributed capital	<u>20,042</u>	<u>-</u>	<u>20,042</u>
Change in net position	23,112	3,048	26,160
Net position beginning of year	<u>58,148</u>	<u>3,242</u>	<u>61,390</u>
Net position end of year	<u>\$ 81,260</u>	<u>6,290</u>	<u>87,550</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise Funds		
	School Nutrition	Wellness Center	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 105,740	-	105,740
Cash received from wellness services	-	3,395	3,395
Cash received from miscellaneous	60	-	60
Cash payments to employees for services	(76,416)	(991)	(77,407)
Cash payments to suppliers for goods or services	(105,871)	(347)	(106,218)
Net cash provided by(used in) operating activities	(76,487)	2,057	(74,430)
Cash flows from non-capital financing activities:			
State grants received	1,779	-	1,779
Federal grants received	94,811	-	94,811
Net cash provided by non-capital financing activities	96,590	-	96,590
Cash flows from investing activities:			
Interest on investments	13	-	13
Net increase in cash and cash equivalents	20,116	2,057	22,173
Cash and cash equivalents beginning of year	44,706	4,233	48,939
Cash and cash equivalents end of year	\$ 64,822	6,290	71,112
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (111,679)	3,048	(108,631)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities used	18,146	-	18,146
Depreciation	3,476	-	3,476
Decrease in inventories	2,370	-	2,370
Decrease in accounts payable	(21)	-	(21)
Increase(Decrease) in salaries and benefits payable	11,396	(991)	10,405
Decrease in unearned revenue	(175)	-	(175)
Net cash provided by (used in) operating activities	\$ (76,487)	2,057	(74,430)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received federal commodities valued at \$18,146.

During the year ended June 30, 2014, the Enterprise: School Nutrition Fund received capital contributions of \$20,042 from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 16,069</u>
Liabilities	<u>-</u>
Net Position	
Restricted for scholarships	<u>\$ 16,069</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 6,050</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u> 12,100</u>
Change in net position	(6,050)
Net position beginning of year	<u> 22,119</u>
Net position end of year	<u><u> \$ 16,069</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The West Harrison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Mondamin, Iowa, and the predominate agricultural territory in Harrison and Monona 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 Harrison Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Harrison Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 support.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental fund:

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

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

The District's proprietary funds include the non-major enterprise School Nutrition and Wellness Center Funds. The Nutrition Fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	5-20 years
Machinery and equipment	5-12 years

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consists of property tax receivables and income surtax receivable not collected within sixty days after year end and will be recognized as revenue in the year for which it is levied.

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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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

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

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District’s deposits at June 30, 2014 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,118,952 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor’s Financial Services.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 57,503</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for the annual QZAB bond indebtedness.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 50,215	20,042	-	70,257
Less accumulated depreciation	43,391	3,476	-	46,867
Business type activities capital assets, net	<u>\$ 6,824</u>	<u>16,566</u>	<u>-</u>	<u>23,390</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	-	-	20,000
Total capital assets not being depreciated	20,000	-	-	20,000
Capital assets being depreciated:				
Buildings	7,013,857	99,788	-	7,113,645
Improvements other than buildings	867,395	62,070	-	929,465
Machinery and equipment	1,727,989	24,932	316,695	1,436,226
Total capital assets being depreciated	9,609,241	186,790	316,695	9,479,336
Less accumulated depreciation for:				
Buildings	2,397,594	140,723	-	2,538,317
Improvements other than buildings	229,136	39,408	-	268,544
Machinery and equipment	1,282,735	144,773	316,695	1,110,813
Total accumulated depreciation	3,909,465	324,904	316,695	3,917,674
Total capital assets being depreciated, net	5,699,776	(138,114)	-	5,561,662
Governmental activities capital assets, net	\$ 5,719,776	(138,114)	-	5,581,662

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 40,150
Special		208
Other		16,579
Support services:		
Instructional staff		2,674
Administration		4,468
Operation and maintenance of plant		20,612
Transportation		60,082
		144,773
Unallocated		180,131
Total depreciation expense - governmental activities		\$ 324,904
Business type activities:		
Food service operations		\$ 3,476

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
QZAB	1,000,000	-	-	1,000,000	-
Net OPEB liability	125,966	-	3,143	122,823	-
Total	1,125,966	-	3,143	1,122,823	-

Qualified Zone Academy Bonds

During the year ended June 30, 2010, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Annual transfers of \$57,503 are made from the District's Capital Projects: Statewide Sales, Services and Use Tax Fund to an escrow account that will be used to pay the indebtedness due December 1, 2025 of \$1,000,000.

Note 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 salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$247,635, \$266,290 and \$254,953, respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 44 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. The District also offers early retirement benefits in the form of health insurance benefits resulting in an explicit rate subsidy to the 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 County's net OPEB obligation:

Annual required contribution	\$ 67,358
Interest on net OPEB obligation	3,149
Adjustment to annual required contribution	(22,472)
Annual OPEB cost	<u>48,035</u>
Contributions made	(51,178)
Increase in net OPEB obligation	<u>(3,143)</u>
Net OPEB obligation beginning of year	<u>125,966</u>
Net OPEB obligation end of year	<u>\$ 122,823</u>

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

For the year ended June 30, 2014, the District contributed \$51,178 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 40,278	11.18%	\$ 109,996
2013	70,588	77.38%	125,966
2014	48,035	106.54%	122,823

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 \$336,227, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$336,227. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,147,862 and the ratio of the UAAL to covered payroll was 15.65%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based upon sample rates varying by age and employee type.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$182,285 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Risk Management

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

Note 10. Operating Lease Obligations

On April 15, 2014, the District entered into multiple 3-year lease agreements with Santander Bank, NA for the lease of one 77-passenger bus, four 65-passenger buses and one 44-passenger lift bus. The agreements include a balloon payment purchase option on July 15, 2017; however, the District does not plan to take the purchase option. The leases require total annual payments of \$62,615 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Note 11. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring and induction	\$ 265
Teacher salary supplement	13,454
Successful progression for early readers	15,046
Model core curriculum	13,358
Professional development	40,109
Teacher development academies	1,609
Teacher leadership grant	6,540
Total	<u>\$ 90,381</u>

Note 12. Deficit Account/Fund Balance

The Special Revenue, Student Activity Fund had one account with a deficit unassigned fund balance of \$9,964 at June 30, 2014.

West Harrison Community School District

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,798,510	109,383	2,907,893	3,374,023	3,374,023	(466,130)
State sources	2,542,880	1,779	2,544,659	2,068,894	2,068,894	475,765
Federal sources	201,374	112,957	314,331	315,000	315,000	(669)
Total revenues	<u>5,542,764</u>	<u>224,119</u>	<u>5,766,883</u>	<u>5,757,917</u>	<u>5,757,917</u>	<u>8,966</u>
Expenditures/Expenses:						
Instruction	3,236,630	-	3,236,630	3,933,000	3,933,000	696,370
Support services	1,737,866	347	1,738,213	1,918,000	1,918,000	179,787
Non-instructional programs	-	217,654	217,654	238,000	238,000	20,346
Other expenditures	427,761	-	427,761	863,426	863,426	435,665
Total expenditures/expenses	<u>5,402,257</u>	<u>218,001</u>	<u>5,620,258</u>	<u>6,952,426</u>	<u>6,952,426</u>	<u>1,332,168</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	140,507	6,118	146,625	(1,194,509)	(1,194,509)	1,341,134
Other financing sources, net	<u>1,510</u>	<u>20,042</u>	<u>21,552</u>	<u>-</u>	<u>-</u>	<u>21,552</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	142,017	26,160	168,177	(1,194,509)	(1,194,509)	1,362,686
Balances beginning of year	<u>1,816,786</u>	<u>61,390</u>	<u>1,878,176</u>	<u>1,660,287</u>	<u>1,660,287</u>	<u>217,889</u>
Balances end of year	<u>\$ 1,958,803</u>	<u>87,550</u>	<u>2,046,353</u>	<u>465,778</u>	<u>465,778</u>	<u>1,580,575</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

WEST HARRISON 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	-	\$ 385,423	\$ 385,423	0.0%	\$ 2,479,066	15.55%
2011	July 1, 2009	-	385,423	385,423	0.0%	2,537,623	15.19%
2012	July 1, 2009	-	385,423	385,423	0.0%	2,422,596	15.91%
2013	July 1, 2012	-	386,674	386,674	0.0%	2,362,573	16.37%
2014	July 1, 2012	-	336,227	336,227	0.0%	2,147,862	15.65%

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 HARRISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue					
	Management Levy	Student Activity	Support Trust	Total	Debt Service	Total
Assets						
Cash and pooled investments	\$ 137,460	15,528	3,269	156,257	242,162	398,419
Receivables:						
Property tax:						
Delinquent	2,227	-	-	2,227	-	2,227
Succeeding year	214,999	-	-	214,999	-	214,999
Accounts	-	3,716	-	3,716	-	3,716
Total assets	\$ 354,686	19,244	3,269	377,199	242,162	619,361
Liabilities, deferred inflows of resources and fund balances						
Liabilities	\$ -	-	-	-	-	-
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	214,999	-	-	214,999	-	214,999
Fund balances:						
Restricted for:						
Management levy purposes	139,687	-	-	139,687	-	139,687
Student activities	-	29,208	-	29,208	-	29,208
Expendable trust	-	-	3,269	3,269	-	3,269
Debt service	-	-	-	-	242,162	242,162
Unassigned	-	(9,964)	-	(9,964)	-	(9,964)
Total fund balances	139,687	19,244	3,269	162,200	242,162	404,362
Total liabilities, deferred inflows of resources and fund balances	\$ 354,686	19,244	3,269	377,199	242,162	619,361

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue			Total	Debt Service	Total
	Management Levy	Student Activity	Support Trust			
Revenues:						
Local sources:						
Local tax	\$ 200,110	-	-	200,110	435	200,545
Other	4,585	91,154	-	95,739	2,486	98,225
State sources	98	-	-	98	-	98
Total revenues	204,793	91,154	-	295,947	2,921	298,868
Expenditures:						
Current:						
Instruction:						
Regular	57,885	-	-	57,885	-	57,885
Other	-	98,759	335	99,094	-	99,094
Support services:						
Operation and maintenance of plant	103,857	-	-	103,857	-	103,857
Transportation	7,912	-	-	7,912	-	7,912
Total expenditures	169,654	98,759	335	268,748	-	268,748
Excess(Deficiency) of revenues over(under) expenditures	35,139	(7,605)	(335)	27,199	2,921	30,120
Other financing sources:						
Transfer in	-	-	-	-	57,503	57,503
Change in fund balances	35,139	(7,605)	(335)	27,199	60,424	87,623
Fund balances beginning of year	104,548	26,849	3,604	135,001	181,738	316,739
Fund balances end of year	\$ 139,687	19,244	3,269	162,200	242,162	404,362

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 308,509	87,729	396,238
Receivables:			
Property tax:			
Delinquent	-	752	752
Succeeding year	-	73,502	73,502
Due from other governments	199,341	-	199,341
Total assets	\$ 507,850	161,983	669,833
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable	\$ 1,398	-	1,398
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	73,502	73,502
Fund balances:			
Restricted for:			
School infrastructure	506,452	-	506,452
Physical plant and equipment	-	88,481	88,481
Total fund balances	506,452	88,481	594,933
Total liabilities, deferred inflows of resources and fund balances	\$ 507,850	161,983	669,833

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 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	\$ -	67,559	67,559
Other	13	191	204
State sources	364,804	33	364,837
Total revenues	<u>364,817</u>	<u>67,783</u>	<u>432,600</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	24,290	2,508	26,798
Administration	10,641	-	10,641
Operation and maintenance of plant	6,046	2,600	8,646
Transportation	64,005	660	64,665
Capital outlay	211,044	34,432	245,476
Total expenditures	<u>316,026</u>	<u>40,200</u>	<u>356,226</u>
Excess of revenues over expenditures	48,791	27,583	76,374
Other financing uses:			
Transfer out	<u>(57,503)</u>	-	<u>(57,503)</u>
Change in fund balances	(8,712)	27,583	18,871
Fund balances beginning of year	<u>515,164</u>	<u>60,898</u>	<u>576,062</u>
Fund balances end of year	<u>\$ 506,452</u>	<u>88,481</u>	<u>594,933</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,778	245	120	1,903
Drama Donations	300	-	-	300
Instrumental Music	42	538	580	-
Cross Country	223	-	223	-
Boys Basketball	503	-	503	-
Football	1,841	-	1,841	-
Baseball	641	1,022	1,413	250
Boys Track	25	-	-	25
Girls Track	279	-	279	-
Restricted Fund Balance	1,200	-	185	1,015
Dance Team	632	431	140	923
Yearbook	(7,856)	3,565	5,673	(9,964)
Athletic Fundraiser	217	47,132	47,349	-
Pop/Snack/Pen/Pencil	1,996	5,255	7,251	-
Cheerleaders	707	391	-	1,098
ECO Council	51	144	145	50
Red Cross Club	34	-	-	34
FCCLA	2,286	12,196	14,012	470
FFA	1,153	267	283	1,137
C.O.R.E. Fundraiser	46	-	-	46
Vocational Fundraiser	133	-	133	-
Choral & Senior Gowns	2,666	-	1,223	1,443
Science Bowl	150	-	-	150
National Honor Society	169	200	369	-
Ind Arts Marketing	24	-	-	24
Class of 2012	2,794	-	-	2,794
Class of 2013	519	-	-	519
Class of 2014	3,247	-	2,194	1,053
Class of 2015	-	13,165	9,769	3,396
Physics Field Trip	215	-	-	215
WH Secret Angels	25	-	-	25
Student Council	1,872	506	872	1,506
JH Athletics	363	-	-	363
Lift-A-Thon	3,915	3,717	1,926	5,706
Dr. Seuss Celebration	183	50	89	144
Elementary AR Awards	89	335	321	103
Experiment in Intern. Living	9	-	-	9
MS Student Council	2,012	914	785	2,141
Middle School Fundraiser	1,835	-	-	1,835
Elem. Jump Rope for Heart	147	1,081	1,081	147
SH Fundraiser	384	-	-	384
Total	\$ 26,849	91,154	98,759	19,244

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,481,022	3,209,082	3,339,087	3,169,834	2,835,110	2,731,262	2,594,053	2,565,657	2,359,915	2,263,627
Tuition	136,887	119,296	138,032	150,334	181,055	202,318	213,257	174,225	256,689	282,570
Other	180,601	161,017	386,627	266,966	286,338	341,926	287,556	367,891	364,802	308,453
Intermediate sources	-	-	-	500	-	-	-	-	4,925	-
State sources	2,542,880	2,303,327	2,547,579	2,566,826	2,238,144	2,650,853	2,607,724	2,402,446	2,301,134	2,359,487
Federal sources	201,374	268,988	276,411	521,280	457,960	251,618	214,495	191,337	315,908	298,610
Total	\$ 5,542,764	6,061,710	6,687,736	6,675,740	5,998,607	6,177,977	5,917,085	5,701,556	5,603,373	5,512,747
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,893,112	2,029,167	2,244,525	2,424,187	2,418,362	2,488,267	2,379,525	2,093,567	1,880,985	1,850,542
Special	655,968	735,938	709,697	721,665	608,499	549,359	540,021	538,012	609,976	887,368
Other	687,550	771,057	751,776	770,941	430,823	443,525	401,250	532,667	523,656	386,208
Support services:										
Student	163,102	172,617	153,186	56,729	132,452	169,778	109,852	114,488	146,616	122,347
Instructional staff	174,820	174,963	180,589	217,960	222,471	131,851	147,795	152,391	198,741	130,832
Administration	497,679	493,426	522,950	509,364	500,506	589,944	625,889	589,785	545,057	561,189
Operation and maintenance of plant	534,852	523,534	478,474	470,549	420,794	368,060	414,043	383,166	379,808	416,196
Transportation	367,413	439,909	390,444	480,894	289,510	387,122	455,095	387,849	473,378	357,111
Non-instructional programs	-	-	-	-	-	-	-	-	-	24,719
Capital outlay	245,476	443,918	428,314	666,448	504,959	434,653	94,638	25,225	117,046	329,026
Long term debt:										
Principal	-	370,000	355,000	345,000	330,000	320,000	315,000	305,000	300,000	295,000
Interest	-	10,452	24,051	36,165	47,380	57,703	67,191	75,382	82,283	87,976
Other expenditures:										
AEA flow-through	182,285	178,097	180,598	205,388	198,572	180,983	171,160	160,022	154,145	154,609
Total	\$ 5,402,257	6,343,078	6,419,604	6,905,290	6,104,328	6,121,245	5,721,459	5,357,554	5,411,691	5,603,123

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the West Harrison Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Harrison 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 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Harrison 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 Harrison Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of West Harrison 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 a deficiencies in internal control over financial reporting we consider to be a material weakness and significant deficiencies.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Harrison 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,

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providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Harrison Community School District's Responses to Findings

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2015
Newton, Iowa

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - We acknowledge the recommendation and will continue to pursue options of involving more people to maximize internal controls.

Conclusion - Response accepted.

I-B-14 Deposits - We noted during our audit that deposits were not being deposited in a timely manner. We noted some checks were being held for up to three weeks before being deposited.

Recommendation - All receipts should be deposited when received. The District should review its procedures to ensure that the deposits are made timely.

Response - We will stress the importance of submitting receipts when received so they can be deposited in a timely manner.

Conclusion - Response accepted.

I-C-14 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted instances of purchases orders dated after the supplies had been ordered or received and we also noted transactions processed without purchase orders.

Recommendation - This procedure should be reviewed and necessary changes made so that all disbursements have a pre-numbered purchase order that is approved by the appropriate administrator before the ordering of supplies takes place.

Response - We have and will continue to stress the need to have a purchase order submitted and approved prior to ordering anything.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 did not exceed the certified amounts in the functional areas.

II-B-13 Questionable Disbursements - We noted during our audit that the District purchased six \$5 Target gift cards to be given to students as an award for the accelerated reading program. We also noted that prizes were purchased from the Student Activity Fund to be given for a middle school dance and Dr. Seuss Day. Prizes do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979. Additionally, gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase..

Recommendation - The District should refrain from purchasing gift cards and giving prizes. The District should review the purchasing procedures it has in place and make necessary adjustments to ensure that all purchases meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Response - We will refrain from using gift cards as student prizes in the future.

Conclusion - Response accepted.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. However, we noted immaterial instances of noncompliance as follows:

Mileage Reimbursement - We noted an instance of an employee being reimbursed for mileage in excess of miles submitted for reimbursement.

Recommendation - The District should review policies and procedures to ensure that mileage reimbursements are accurate. The District should have a reimbursement form to be filled out by the employee, an accounting staff member calculate the reimbursement and an administrator recalculating, reviewing and approving the reimbursement.

Response - We will ensure that employees are only reimbursed for mileage that is properly submitted and verified.

Conclusion - Response accepted.

Credit Card Purchase - We also noted an instance of a purchase of a meal on the District credit card that did not have a detailed receipt. Board Policy 401.10 states "Employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense for each claim item. Failure to provide a proper receipt will make the employee responsible for expenses incurred."

Recommendation - The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements as is required by District board policy. If receipts are not available, individuals should be responsible for the expense as stated in the District's board policy.

Response - Employees will be reminded that in order for the district to pay for meals, that a detailed receipt must be submitted. In addition, according to district policy, if a detailed receipt is not submitted, the employee will be responsible for that expense.

Conclusion - Response accepted.

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 should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 **Board Minutes** - We noted no transactions requiring Board approval which have not been approved by the Board. However, we did note an instance where the Board entered a closed session during District meetings, but did not identify and document the specific exemption allowed under Chapter 21.5 of the Code of Iowa.

Recommendation - The District should identify the specific exemption for entering a closed session, and document the exemption allowed under Chapter 21.5 of the Code of Iowa in the District's Board Minutes.

Response - We will ensure that we enter closed sessions for appropriate purposes and properly and fully document it within the meeting minutes.

Conclusion - Response accepted.

II-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. Enrollment certified to the Department of Education was overstated by 1.00 student.

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

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

Conclusion - Response accepted.

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

II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

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.

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 provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	515,164
Revenues:			
Sales tax revenues	\$	364,804	
Other local revenues		13	364,817
			<u>879,981</u>
Expenditures/transfer out:			
School infrastructure construction		211,044	
Equipment		35,595	
Other		69,387	
Transfer to other funds:			
Debt service fund		57,503	373,529
			<u>373,529</u>
Ending Balance		\$	<u>506,452</u>

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

II-M-14 Deficit Balances - We noted during our audit that the Yearbook account in the Student Activity Fund had a deficit balance of \$9,964 at June 30, 2014.

Recommendation - The District should continue to investigate alternatives to eliminate the deficit in order to return this account to a sound financial condition.

Response - We will continue to pursue appropriate and alternate methods to reduce this negative balance. We recognize it needs to be done and acknowledge there are limited ways to accomplish this.

Conclusion - Response accepted.

II-N-14 Signing of Contracts - We noted during our audit that the Superintendent signed a lease agreement with Santander Leasing LLC to lease 6 buses. Chapter 291.1 of the Code of Iowa requires the Board President to sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to comply with Chapter 291.1 of the Code of Iowa.

Response - We will ensure that the Board President sign all documents requiring his/her signature.

Conclusion - Response accepted.

II-O-14 Student Activity Fund - During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). More specific examples of these instances of questioned items and recommendation are as follows:

Graduated Class Accounts - We noted during our audit that the Student Activity Fund has an old graduated class account from 2012 and 2013, with the balance still on the District's books as of June 30, 2014.

Recommendation - At year end, class officers of the graduating class should decide what happens with unused class funds. The remaining moneys in the graduating class account should be reclassified to the proper fund according to the class' wishes. If unused funds are to remain in the Student Activity Fund, the remaining funds should be redistributed amongst other activity fund accounts or used for startup funds for the next incoming class. Since the District is unable to determine what the wishes were for previous classes, the remaining moneys in the class accounts should be reallocated amongst the other Student Activity Fund accounts based on recommendations made by the Activities Director and approved by the District's Board of Directors.

Response - Following the visit of the auditors in the fall, it was recommended to the Board of Directors to disburse this money to the Yearbook account . They approved the recommendation. In addition, we will address any remaining funds with the graduating class at the end of each year.

Conclusion - Response accepted.

Questionable Accounts - We noted accounts titled Physics Field Trip, Dr. Seuss Celebration and Elementary Accelerated Reading Awards in the Student Activity Fund that appear to be instructional in nature.

Recommendation - These accounts do not appear to be appropriate in the Student Activity Fund per Chapter 298A.8 of the Iowa Code and should be transferred to the more appropriate General Fund.

Response - The funds in the identified accounts have been moved to the General Fund. In the future, any such funds will be deposited in the General Fund.

Conclusion - Response accepted.

Commissions Revenue - We noted that commissions from “My Locker” for the sale of clothing was received into the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund except for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund, therefore commissions should be received into the General Fund.

Response - These funds will be deposited in the General Fund in the future.

Conclusion - Response accepted.